UTHUNGULU

ANNUAL BUDGET OF

uThungulu District Municipality

2016/17 TO 2018/19

DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

MARCH 2016

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
MWIG	Municipal Water Infrastructure Grant
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RBIG	Regional Bulk Infrastructure Grant
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

The Mayors report will be included once the Honourable Mayor has presented her 2016/2017 draft budget Speech before Council on Wednesday, 16 March 2016.

1.2 Council Resolutions

On 16 March 2016 the Council of UThungulu District Municipality met in the Council Chambers of UThungulu House to consider the final consolidated annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1.2.1 The Council of UThungulu District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.2.1.1 The final consolidated annual budget of the municipality and its entity for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:

1.2.1.1 (a) Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 on page 39;

1.2.1.1 (b) Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 on page 41;

1.2.1.1 (c) Consolidated Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 on page 42; and

1.2.1.1 (d) Consolidated Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 on page 45.

1.2.1.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1.2 (a) Consolidated Budgeted Financial Position as contained in Table A6 on page 47;

1.2.1.2 (b) Consolidated Budgeted Cash Flows as contained in Table A7 on page 49;

1.2.1.2 (c) Consolidated Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 on page 50;

1.2.1.2 (d) Consolidated Asset management as contained in Table A9 on page 51; and

1.2.1.2 (e) Basic service delivery measurement as contained in Table A10 on Page 53.

1.2.2 The Council of UThungulu District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016:

1.2.2.1 the tariffs for the supply of water, sanitation, solid waste, cemetery and other miscellaneous fees– as set out on page 11 of the Annexure.

1.3 Executive Summary – uThungulu District Municipality

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's core business and service delivery priorities were again reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items. This has resulted in estimated expenditure of nearly R280 million for the 2016/17 financial year being reduced. Key areas where savings were realized was on staff costs due to reprioritisation of vacancies and limiting of overtime budget, as well as a reduction in the budget for the following expenditure types being printing and stationery, subsistence and travel, accommodation and catering. Furthermore, it be noted that that budget for overtime has been aligned to the Council's overtime policy where only employees earning below the threshold as determined by the Minister of labour as well as employees deemed to be performing essential and emergency work are catered for.

The Municipality has over the years embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people led government. Added to this is the rollout of smart prepaid meters in some of our local municipalities where uThungulu is a water services provider.

Various National Treasury's MFMA Circulars were used to guide the compilation of the 2016/17 MTREF, with special emphasis on Circulars 78 and 79.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the national and global economy;
- The depreciation of the exchange rate and its effect on the economic growth and the job opportunities;
- Aging and poorly maintained water and waste water infrastructure;
- The devastating effect of the drought that has persisted in the province and the uThungulu district in particular which have necessitated the provision of water through water tankers which is a very expensive way of providing water;
- The backlogs, unavailability of water sources and severe drought that has affected the District in recent months and.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of water treatment and reticulation which is placing upward pressure on service tariffs to residents. It be noted that uThungulu's internally

funded capital in terms of the draft budget accounts for 6% of the total capital budget, most of the capital budget is grant funded mainly through MIG, RBIG and WSIG which is for backlog eradication and bulk pipeline infrastructure layout. Furthermore, it must be noted that the depreciation is now being partially cashbacked which will assist in increasing own Capital spend going forward.

- The district is predominantly rural and households are sparsely located thereby making billing and credit control an expensive exercise.
- The cost to operate and maintain newly rolled out projects when collection does not break even when compared to associated costs like chemicals and electricity and in some instances tariffs of water boards and other neighbouring WSA's.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs; the uThungulu District municipality has not attained that yet, but we intend to put together a strategy to move towards cost reflective tariffs with minimal impact on the consumer.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An in-depth analysis was done for the following items and allocations to these items had to be supported by a motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:

    - New positions, except those that are of critical importance;
    - Overtime limited to 2% of remuneration only for employees qualifying for such;
    - Furniture and office equipment;
    - Catering;
    - Conferences;
    - Ad-hoc travelling; and
    - Delegations.

In view of the aforementioned, the following table is an overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1 Overview of the 2015/16 MTREF

2016/2017 Multi Year Budget Summary - Draft							
	Approved 2015/16 MTREF	2016/2017 Draft Budget	Change Amount	Change %	2017/2018 Budget	2018/2019 Budget	Total for MTREF
Revenue by Source							
- Grants & subsidies	513 763 000	472 299 000	-41 464 000	-8.07%	472 487 000	447 885 000	1 392 671 000
- Equitable Share	214 436 000	203 714 000	-10 722 000	-5.00%	216 688 000	236 026 000	656 428 000
- Levy Replacement Grant	229 691 000	229 691 000	-	0.00%	247 769 000	270 435 000	747 895 000
Total Government Grant & Subsidies	**957 890 000**	**905 704 000**	**-52 186 000**	**-5.45%**	**936 944 000**	**954 346 000**	**2 796 994 000**
Public Contributions			-				
- Richards Bay Minerals	-	6 000 000	6 000 000	0.00%	-	-	6 000 000
Total Public Contributions	**-**	**6 000 000**	**6 000 000**	**0.00%**	**-**	**-**	**6 000 000**
- Sundry Income	11 664 159	11 714 159	50 000	0.43%	874 231	923 684	13 512 074
- Interest Income	35 489 376	37 489 376	-2 000 000	-5.64%	38 143 623	40 432 240	116 065 239
Total Other Income	**47 153 536**	**49 203 536**	**-1 950 000**	**-4.14%**	**39 017 853**	**41 355 924**	**129 577 313**
Trading Services	73 754 990	75 833 679	2 078 689	2.82%	88 518 395	97 370 234	261 722 307
Surplus Brought Forward (2015/2016) - VAT on Grants	-	38 084 475	38 084 475	0.00%	21 564 046	3 193 031	62 841 553
Total Revenue	**1 078 798 526**	**1 074 825 689**	**-7 972 836**	**-0.74%**	**1 086 044 294**	**1 096 265 190**	**3 257 135 173**
Expenditure							
Non-trading services	201 575 653	207 950 793	6 375 140	‘	208 451 760	217 953 238	634 355 791
Trading Services	357 871 226	353 971 968	-3 899 258	-1.09%	371 080 282	394 704 335	1 119 756 586
Operational IDP	84 072 478	107 861 377	23 788 899	28.30%	109 325 296	135 654 711	352 841 384
Capital IDP & Internal Fixed Assets	484 752 023	462 641 500	-22 110 523	-4.56%	461 444 700	418 117 750	1 342 203 950
Total Expenditure	**1 128 271 380**	**1 132 425 639**	**4 154 260**	**0.37%**	**1 150 302 039**	**1 166 430 033**	**3 449 157 711**
LESS : DEPRECIATION NOT CASH BACKED	49 472 854	57 599 950	8 127 096	16.43%	64 257 745	70 164 844	192 022 538
TOTAL EXPENDITURE EXCL. DEPN	**1 078 798 526**	**1 074 825 689**	**-3 972 835**	**-0.37%**	**1 086 044 294**	**1 096 265 190**	**3 257 135 173**
BUDGET SHORTFALL	-	-	-	-	-	-	-

It can be noted from the above table that the total revenue budget for the District for 2016/17 financial year is R1.074b, whereas the total expenditure is expected to be R1.132b. The amount of R58m relates to a depreciation provision which is currently not cash backed, to be noted that the total depreciation for the ensuing financial year is estimated at R64m.

Total operational expenditure, trading and non – trading services including operational IDP projects amounts to R670m for 2016/17 increasing to R688m in 2017/18 and R748m in 2018/19 financial years.

The total capital budget for the 2016/17 financial year is R463m, decreasing slightly to R461m and R418m in two outer years of the MTREF.

The detailed grant allocations from National Treasury, per the Division of Revenue Bill, 2016 was made available from the 24th February 2016 on National Treasury's website. Although Provincial allocations have not been gazetted and are expected to be announced during the Provincial budget speech, indicative amounts have been received from the Provincial Treasury and have been included in the 2016/17 draft budget. The following table depicts the grant allocations as contained in the 2016 Division of Revenue Bill in comparison to the projections of the 2015 Division of Revenue Act grant allocation;

Table 2 Overview of the 2016/17 grants allocation for the MTREF

TOTAL ALLOCATIONS PER DORB 2016		DORB 2015	DORB 2016			DORB 2016 MEDIUM TERM FORECAST	
Name of Grant	**Responsible Dept**	**Budget 16/17 Forecast**	**Budget 16/17 Gazetted**	**Variance**	**% Change**	**Budget 17/18**	**Budget 18/19**
Equitable Share	Finance	214 436 000	203 714 000	-10 722 000	-5%	216 688 000	236 026 000
Levy Replacement Grant	Finance	229 691 000	229 691 000	-	0%	247 769 000	270 435 000
Municipal Systems Improvement Grant	Finance	960 000	1 041 000	81 000	8%	1 637 000	-
Water services operating & transfer subsidy	Technical	4 000 000	-	-4 000 000	-100%	-	-
Local Finance Management Grant	Finance	1 250 000	1 250 000	-	0%	1 250 000	1 000 000
Municipal Infrastructure Grant	Technical	182 681 000	165 170 000	-17 511 000	-10%	177 966 000	188 685 000
Municipal Water Infrastructure Grant	Technical	51 069 000	-	-51 069 000	0%	-	-
Water Services Infrastructure Grant	Technical	-	85 369 000	85 369 000		115 500 000	73 000 000
Rural Transport Services & Infrastructure	Technical	2 379 000	2 379 000	-	0%	2 532 000	2 673 000
EPWP Incentive Grant	Technical	-	5 466 000	5 466 000	0%	-	
Regional Bulk Infrastructure Grant	Technical	262 224 000	211 224 000	-51 000 000	-19%	173 602 000	182 527 000
Water Services Operating Subsidy (Grant-in-kind)	Technical	-	-	-	0%	-	
Rural Households Infrastructure Grant	Technical	4 300 000	-	-4 300 000		-	-
Total Gazetted Grants		**952 990 000**	**905 304 000**	**-47 686 000**	**-5%**	**936 944 000**	**954 346 000**

The Equitable Share allocation has seen a decrease of R10, 7m when compared to the 2015/16 projections as Gazette in the 2015 Division of Revenue Act. The most likely cause for Equitable Share decrease is the Ntambanana (KZ283) wards that are moving to the City of uMhlathuze (KZ282), uThungulu will no longer be WSA in those wards.

The Levy Replacement Grant remained unchanged from the 2015 projections with an estimated growth of R18m, (8%) and R22m, (9%) over the two outer years of the MTREF respectively. To be noted that National Treasury has still not pronounced itself on the way forward regarding this grant, discussion are still underway and various proposals are being investigated.

The Municipal Systems Improvement Grant has increased slightly by R81, 000, from R960, 000 to R1, 041, 000.

The Municipal Infrastructure Grant has been allocated at R183m, a decrease of R18m when compared with the 2015 projections, it is expected that this grant will increase to R178m in the 2017/18 financial year and thereafter to R189m in 2018/19.

An amount of R211m has been allocated for the Regional Bulk Infrastructure Grant (RBIG), this translates to a decrease of R51m when compared to the DORA 2015 projections. The two outer years have been allocated R174m and R183m respectively.

The Water Services Operating Grant (WSOG), Municipal Water Infrastructure Grant (MWIG) and Rural Households Infrastructure Grants (RHIG) have been discontinued. These have been replaced by a single grant namely Water Services Infrastructure Grant (WSIG), which has an allocation of R83m for the 2016/17 financial year. These three grants had a combined allocation of R59m in the 2015 DORA, therefore there is a net increase of R24m as the 2016 DORA allocation is R83m.

Other grants that have been allocated to the district are;

- Finance Management Grant, R1.25m
- Rural Transport Services and Infrastructure grant, R2.37m
- Planning Shared Services Grant (Provincial), R0.4m

The total operating expenditure (excluding operating IDP projects) for the 2016/17 financial year has been appropriated at R562m. It is expected that operational expenditure will grow by an average of 3 per cent in the 2017/18 budget and by 6% in the 2018/19 financial year.

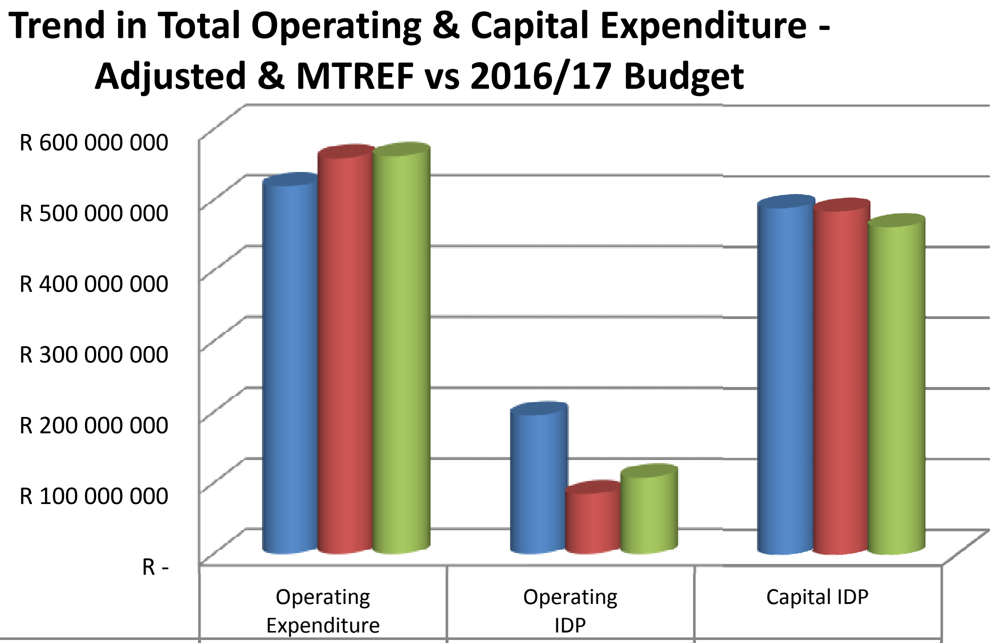
The operational IDP projects budget for 2016/17 have increased by 28% compared to the 2015/16 MTREF projections, in 2017/18 there is a minimal increase of less than 1 percent and then an increase of 24% in the 2018/19 financial year.

The capital budget of R463m for 2016/17 is 5% less when compared to the 2015/16 projections. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme decreases slightly to R461m in the 2017/18 financial year and then further decrease to R418m in the 2018/2019 financial year, which translates to a total capital budget of R1.34b over the medium term.

To be noted that a substantial portion of the capital budget will be funded from the MIG and the Regional Bulk Infrastructure Grant over MTREF as well as the newly introduced Water Services Infrastructure Grant (WSIG), which has been introduced for the 2016/17 financial year. The grant is aimed at accelerating the delivery of clean water to communities that do not have access to basic water services. The grant provides funding for municipalities to plan and implement various projects; including the construction of new infrastructure and the refurbishment and extension of existing water schemes, as well as interventions aimed at mitigating the effect of the drought in affected areas.

Capital grants will contribute 94% of capital expenditure for the 2016/17 and 2017/18 financial years, and 98% for the 2018/19 financial year.

The figure below graphically depicts the split of the draft budget for 2016/17 between Operational and Capital vs the 2015/16 Adjusted budget and the 2016/17 budget approved as part of the multi year budget in May 2015.



	Operating Expenditure	Operating IDP	Capital IDP
Adjustment Budget: 2015/16	R 519 201 154	R 195 943 425	R 489 598 416
Approved MTREF: 2016/17	R 559 446 879	R 84 072 478	R 484 752 023
Draft Budget: 2016/17	R 561 922 761	R 107 861 377	R 462 641 500

Figure 1 Operating & Capital Budget for the 2016/17 financial year

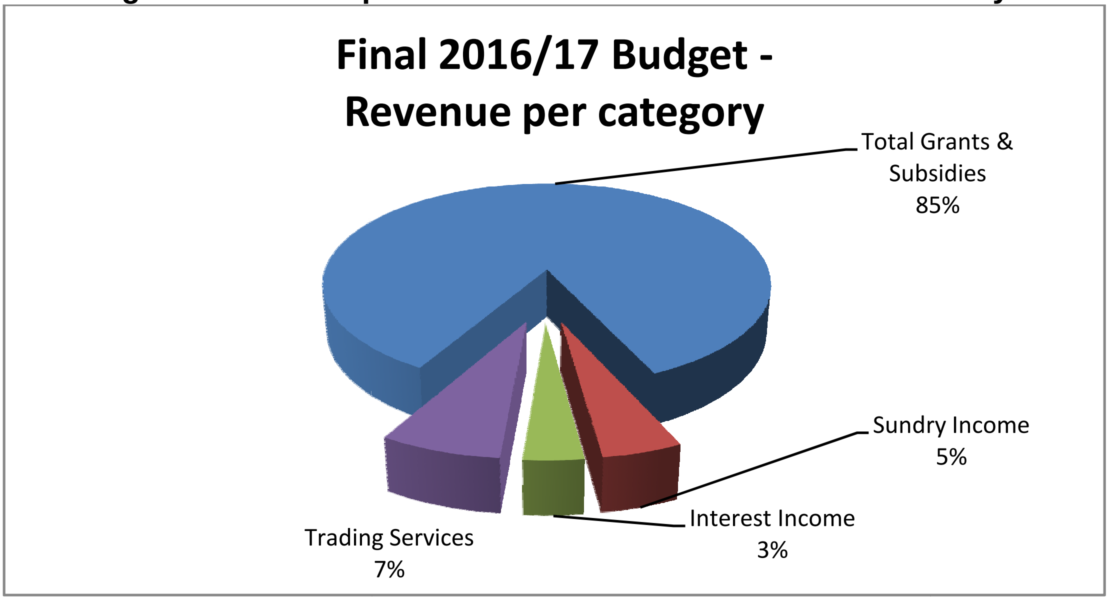
1.4 Operating Revenue Framework

In order for uThungulu District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty, coupled with the global economic crisis. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and expected economic development;
- Efficient revenue management, which aims to ensure a 82 per cent annual collection rate for Water, Sanitation and Solid Waste service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The rollout of prepaid water meters (smart meters) to all indigent consumers and new water projects;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service, while taking into account the affordability levels of the consumers;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and Incentive policies and rendering of free basic services; and
- Tariff policies of the Municipality.

Figure 2 Revenue per Classification for the 2016/17 financial year



The figure above indicates the 2016/17 municipal revenue per service.

The above graph depicts the municipality's reliance on grants and subsidies making up 85% of the revenue source. Trading Services is the second at only 7%, interest income 3%, sundry income 5%.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source

DC28 uThungulu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Revenue By Source								
Service charges - water revenue	45 709	7%	46 595	7%	56 356	9%	61 991	9%
Service charges - sanitation revenue	5 421	1%	6 178	1%	6 796	1%	7 475	1%
Service charges - refuse revenue	14 327	2%	22 671	4%	24 938	4%	27 432	4%
Service charges - other	291	0%	389	0%	428	0%	471	0%
Rental of facilities and equipment	–	0%	–	0%		0%		0%
Interest earned - external investments	32 574	5%	37 197	6%	37 834	6%	40 104	6%
Interest earned - outstanding debtors	276	0%	293	0%	310	0%	329	0%
Transfers recognised - operational	477 364	68%	472 693	79%	498 724	80%	539 568	79%
Other revenue	122 816	25%	49 799	8%	22 438	3%	4 117	0%
Total Revenue (excluding capital transfers and contributions)	**698 778**	**100%**	**635 814**	**100%**	**647 825**	**100%**	**681 487**	**100%**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, Gazette 32141, issued 17 April 2009, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from service charges forms a minimal percentage of the internally generated funds of the Municipality, that being the interest on investments and service charges. The Interest on external investments has been increased by 5 percent when compared with the 2015/16 Adjustments Budget, this is due to the higher repo rate as currently approved by the reserve bank. A notable trend is the increase in the total percentage revenue generated from water services charges which increases from R47m in 2016/17 to R56m in 2017/18. The water sales contribution to the total service charges revenue is 62% for 2016/17, and 64% for 2017/18 and the 2018/19 financial years. The above table excludes revenue foregone arising from rebates associated with the tariff policies of the Municipality.

Solid Waste is the second largest revenue source totalling 30 per cent or R23million rand and is expected to increase to R27 million by 2018/19. Another source of revenue is 'other revenue' which consists of various items such as income received from issuing of tender documents, map production and miscellaneous fees. The

municipality will review the tariffs of these items on an annual basis to ensure we steadily move to a point where these are cost reflective and market related.

Operating grants and transfers totals R473 million in the 2016/17, R499 million in the 2017/18 financial year and further increasing to R540 million in 2018/19. Note that the year-on-year growth for the 2017/18 financial year is 6% and increasing by 8% by 2018/19 financial year.

Tariff-setting is a very important and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality. The proposed tariffs were discussed at length in the Budget Steering Committee meeting and a consensus was reached to increase the tariffs in such a way that it will have a minimal impact on the citizens of the district.

National Treasury, in its MFMA Circulars78 and 79 issued in December 2015 and March 2016 respectively, continues to encourage municipalities to keep increases in tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment which will in turn result in a huge debtors book.

The percentage increases of both Eskom and bulk water tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, they impact on the municipality's cost of service provision. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions, over and above being cross subsidised by the equitable share. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Sale of Water and Impact of Tariff Increases

The water Tariffs have been increased on average by 10% as a result of increases in the cost of chemicals and maintenance of the ageing infrastructure in some areas, as well as the bulk cost from Eskom and other major suppliers. It must be noted that consideration has been given to National Treasury's objective of tariffs being cost reflective, however Council has considered the plight of poor residents in the tariff

determination process and have thus agreed on an increase which though higher than National Treasury's guideline also attempts to attain cost reflective tariffs over the long term. The free basic water of 6kl is still applicable in the coming financial year only to domestic consumers, however registered indigent consumers shall benefit from 10kl of free water per month.

The roll out of prepaid meters commenced in the 2013/14 financial year and the impact thereof is expected to materialise from the 2015/2016 financial year, wherein we would envisage the gradual reduction in arrear debts. However cognisance must be drawn to the possibility that consumers who have prepaid systems may start exercising water conservation mechanisms and thus reduce their demand for potable water which may affect the revenue generated. The cost of providing the water function in the 16/17 budget year amounts to R368m and revenue generated is a mere R47m therefore R321m is cross subsidised from both the equitable share and the levy replacement grant.

The proposed tariffs for households (residential) and non-residential consumers are detailed on Annexure C of the medium term budget report.

In taking cognisance of the country wide shortage of fresh water supplies the municipality have for the first time in the 2015/16 financial year, introduced an additional tariff step, aimed at discouraging excessive water consumption through a high tariff. Furthermore it was noted that despite continuous communiqué during period of drought, many residents fail to heed Councils call for water reduction, therefore it was considered prudent to introduce as from 2015/2016 a tariff applicable during drought conditions, which is considerably higher than the normal rates.

1.4.2 Sanitation and Impact of Tariff Increases

As a result of all local municipalities having to comply with the Municipal Property Rates Act, Act 6 of 2004, it is now possible to calculate the sanitation tariffs for the district based on the new valuation rolls from these municipalities. The valuation rolls per KZ has been completed and the district has utilised these in the calculation of the sanitation tariffs, hence the implementation of the new sanitation tariffs commenced in the 2010/11 financial year. Subsequent to the adoption of valuation rolls in the 2010/2011 financial year, a further valuation roll was published by the Local Municipalities effective from 01 July 2012. The tariff increase for 2016/2017 has been determined at 10%.

Domestic Sewer tariffs have been revised to R0,00615c per rand value of the property. The minimum and maximum charge will be R 56.11 and R 218.85 per month respectively.

Business sewer has also been revised to R0.00615c per rand value of the business property. The minimum and maximum charge is R 145.89 and R 1,428.99 per month respectively.

A detailed listing of applicable sanitation tariffs is contained on Annexure C of the medium term budget report.

1.4.3 Regional Solid Waste – Landfill Site

The average increase in the tariff for the 2016/2017 year is 20%. Following the feasibility studies performed, Council needs to increase its solid waste tariffs above inflationary levels for several years, for the site to become financially viable. It must be further noted that cost reduction initiatives must be implemented as the current high cost of maintaining the site cannot be continuously be passed on to our consumers.

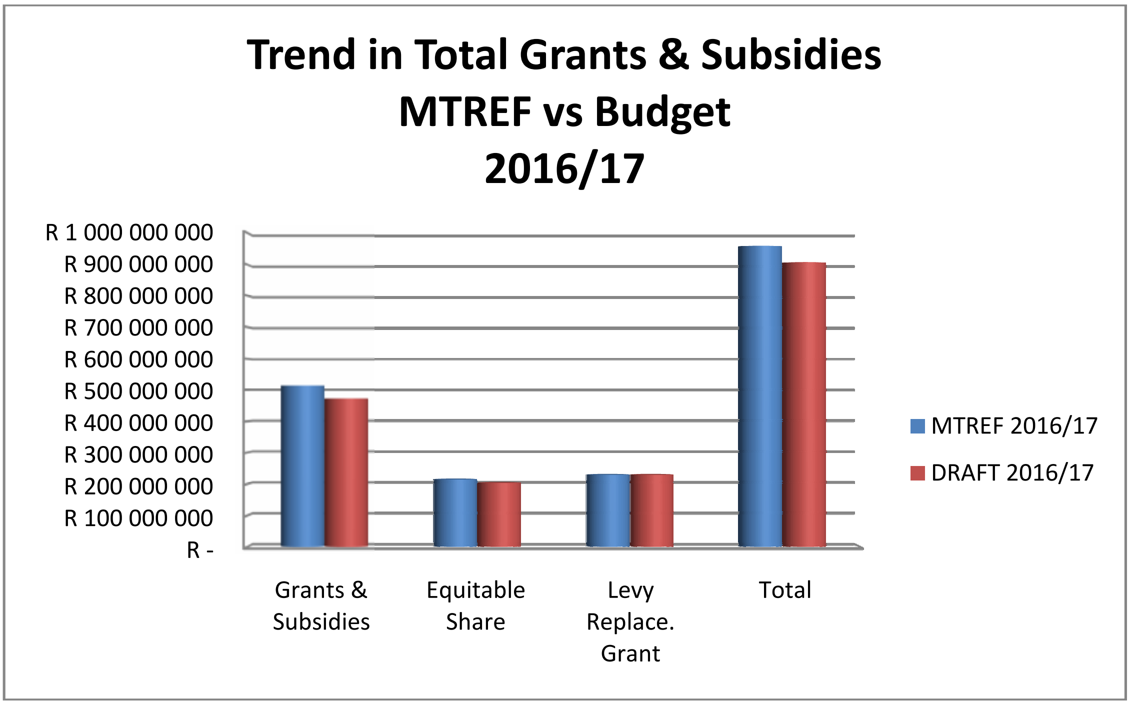


Figure 3 Grant Revenue for the Draft Budget 2016/17 vs MTREF Budget 2016/17

The above graph pictorially depicts the municipality's dependency on grants equating to a total of R906m for the 2016/17 financial year compared to R958m for the 2016/17 MTREF budget.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The Operations and Maintenance costs of the District's 284 water schemes.
- Balanced budget constraints (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Water Services Development Plan and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by standard classification item

DC28 uThungulu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/14	2013/14	2014/16	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type									
Employee related costs	99 493	111 559	132 210	175 275	158 890	158 890	191 046	203 321	216 462
Remuneration of councillors	8 523	8 814	9 395	11 411	11 411	11 411	11 411	12 153	12 943
Debt impairment	4 190	4 330	10 260	3 637	3 637	3 637	3 834	4 037	4 260
Depreciation & asset impairment	50 917	48 971	48 881	52 920	52 920	52 920	64 000	71 397	77 961
Finance charges	19 376	13 637	12 672	16 656	16 656	16 656	17 447	6 972	7 362
Bulk purchases	29 466	32 471	39 224	40 533	43 841	43 841	48 010	45 589	48 142
Other materials				503	427	427	487	513	542
Contracted services	65 270	82 515	90 364	109 793	110 708	110 708	103 388	108 637	113 268
Transfers and grants	11 127	12 233	7 181	12 563	7 563	7 563	5 000	4 000	3 000
Other expenditure	182 879	203 369	282 124	220 768	309 092	309 092	225 161	232 238	264 372
Loss on disposal of PPE	265	193	1 406	-	-	-	-	-	-
Total Expenditure	**471 506**	**518 092**	**633 717**	**644 059**	**715 145**	**715 145**	**669 784**	**688 857**	**748 312**

The budgeted allocation for employee related costs for the 2016/17 financial year totals R191m. The total employee related cost budget, excluding Councillors remuneration equals 28.52 per cent of the total operating expenditure. The annual increase in salaries is 6% in line with the 2015 salary and wage agreement entered into between SALGA, the employer body, and the organized labour. The budget for councilors allowances has also been increased by 6%. As part of the Municipality's cost reprioritization new and vacant positions were thoroughly analyzed and only critical vacancies within the Municipality were accommodated. In addition expenditure against overtime has been significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions and limited to only 2% of the remuneration. Overtime for Senior managers and employees exceeding a remuneration threshold as determined by the Minister of Labour from time to time has not been budgeted for. Furthermore, medical aid budget was not provided for employees who are currently not on medical aid, this will be revised during the mid

year review. Should any employees join during the first six months, a provision will then be made in the February 2017 adjustment budget. This will assist to free up funds which end up being tied up in the medical aid budget and not being used most of the time.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget. The total budget for Councillors' allowances for the 2016/17 financial year is R11.4m. An estimated increase of 6% has been applied for the Councillors remuneration.

The provision for debt impairment was determined based on an annual collection rate of between 90 and 95 per cent and the Credit and Debt Collection Policy of the Municipality. For the 2016/17 financial year this amount equates to R3.8 million and escalates to R4.3 million by 2018/19. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, the municipality's realistically anticipated revenues and the depreciation also has to be cash backed.

Provision for depreciation and asset impairment has been informed by the Municipality's Property, Plant & Equipment Policy. Depreciation is considered to be a rate at which the asset is being consumed. Budget provisions in this regard total R64 million for the 2016/17 financial year and equates to 10 per cent of the total operating expenditure. To be noted that the implementation of GRAP 17 accounting standard has meant bringing a number of assets previously not included in the assets register onto the register. This exercise was done for the 2010/2011 financial year and has resulted in a significant increase in depreciation in relation to prior years. To be noted that the accumulated depreciation for the municipality amounts to R329m as per 2014/15 Annual Financial Statements. However, R6.4m of the 2016/17 financial year's depreciation is cash backed to provide for the Capital Reserve and this will continue over the medium term provided the municipality's revenues do not change.

Finance charges consist primarily of the repayment of interest on long-term loans as well as the uThungulu finance Partnership. These charges make up 3 per cent (R17.4 million) of the total operating expenditure for 2016/17. This expenditure item is expected to decrease by 2017/18 and the uThungulu Finance Partnership is expected to come to an end in June 2017. To be noted that the municipality annually appoints a reputable credit rating agency to determine the creditworthiness and the financial health of the municipality.

Bulk purchases are directly informed by the purchase of bulk water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The budget for bulk purchases in 2016/17 amounts to R48m.

Contracted services consists mainly of the SSA contract, which amounts to R68.2m, and is currently outsourced to WSSA. To be noted that as part of the tender specifications, WSSA also undertakes repairs and maintenance of the water schemes in the uThungulu District, the total budget for this tender is budgeted for at R123m for the 2016/17 financial year.

This function was outsourced after a thorough investigation as required by section 78 of the Municipal Systems Act. The current tender was awarded during the 2013/14 financial year and has been extended until the end of 2015/16. It is anticipated that the processes to be appoint a new service provider would have been finalised by this time.

Other major items included in Contract Services are as follows;

- Auditor General's Fees R4.2m
- IT Services R2.2m
- Internal Audit & Audit Committees R2.6m
- Meter reading, Debt recovery & Cash Management R1,7m

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6 per cent for 2016/17 – 2018/2019 MTREF. To be noted that included in other expenditure is Operational IDP projects amounting to R107m, which makes 48% of the Other expenditure category.

The following table gives a breakdown of the main expenditure categories for the 2016/17 financial year.

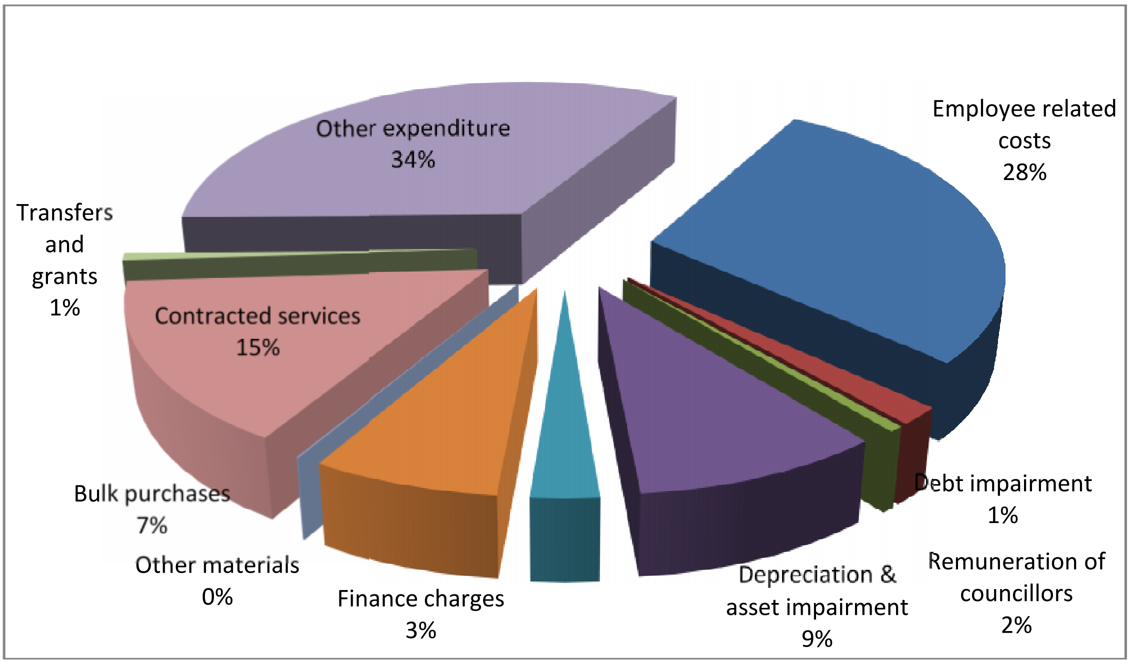


Figure 4 Main Operational Expenditure Categories for the 2016/17 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 budget and MTREF provide for extensive growth in the area of asset maintenance.

During the compilation of the 2016/17 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. Repairs and maintenance has been budgeted for at R55 million for the 2016/17 financial year. In relation to the total operating expenditure, repairs and maintenance contributes 10% of the total operating expenditure (excluding IDP Projects) for the 2016/17 financial year.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement) on page 53.

The cost of the social package of the registered indigent households is largely financed by National government through the local government equitable share received in terms of the annual Division of Revenue Act.

Figure 5 Operational Expenditure by Vote (Incl. IDP Projects) for the 2016/17 financial year.

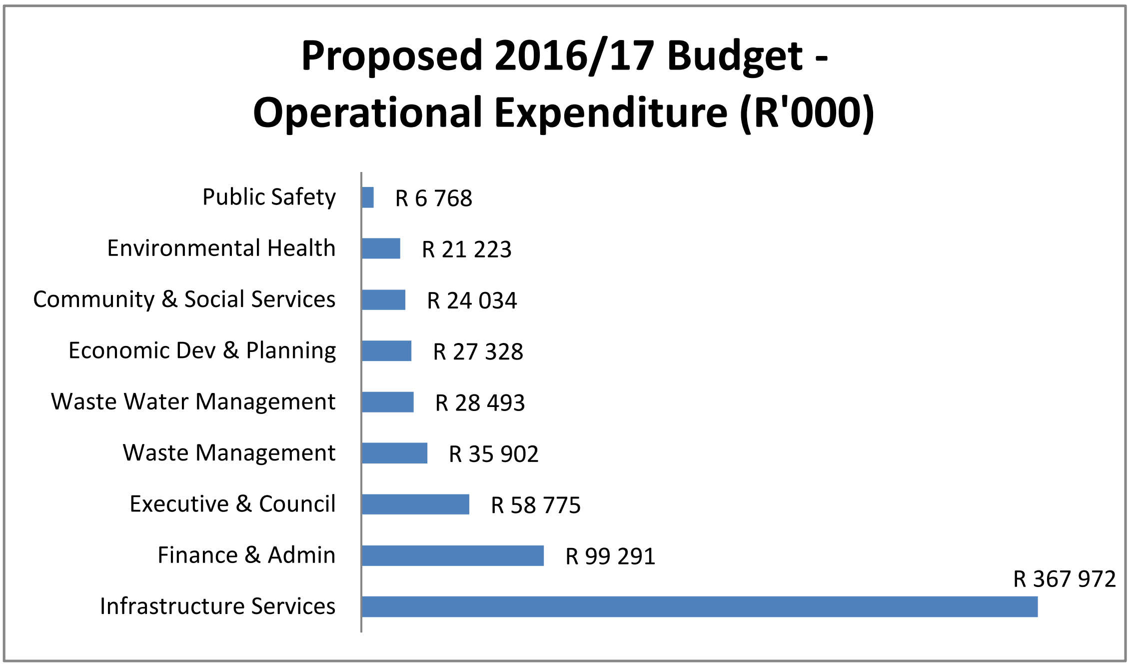


Table 5: -- Detailed listing of the Operational IDP Projects for the medium Term

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Asset Care Centre	Update of Fixed Asset Register	MSIG	Asset Management	357 447	384 628	450 000
Insurance Claims	Operational Shortfall for insurance claims	Internal	Asset Management	200 000	200 000	300 000
			Asset Management Total	**557 447**	**584 628**	**750 000**
Rural Transport Services & Infrastructure	Rural Transport Services & Infrastructure	RRAMS	Auxillary Infrastructure	2 379 000	2 532 000	2 673 000
			Auxillary Infrastructure Total	**2 379 000**	**2 532 000**	**2 673 000**
Energy Master Plan Review	Energy Master Plan Review	Internal	Board General Expenses	250 000	**300 000**	**350 000**
Rural Transport Services & Infrastructure	Rural Transport Services & Infrastructure	Internal	Board General Expenses	150 000	**150 000**	**150 000**
Implementation of Section 81 - Amakhosi	Implementation of Section 81 - Amakhosi	Internal	Board General Expenses	300 000	**350 000**	**350 000**
Community Upliftment Programmes	Community Upliftment Programmes	Internal	Board General Expenses	200 000	**250 000**	**350 000**
			Board General Expenses Total	**900 000**	**1 050 000**	**1 200 000**
Automation of Budget Process	Automation of Budget Process	Internal	Budget Section	100 000	50 000	50 000
mSCOA	Implementation	MSIG	Budget Section	527 093	1 084 015	300 000
			Budget Section Total	**627 093**	**1 134 015**	**350 000**
Develop/Implement Air Quality Management Plan	Develop/Implement Air Quality Management Plan	Internal	Community Services	450 000	**250 000**	**275 000**
Tertiary Registration	Provide registration grants to assist needy students to register at tertiary institutions.	Internal	Community Services	150 000	180 000	200 000
School Uniforms	Provide school uniforms to reduce the number of school dropouts due to poverty.	Internal	Community Services	100 000	110 000	120 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
HIV/AIDS	Support the implementation of programmes, monitor and facilitate the functioning of uThungulu Aids Council.	Internal	Community Services	600 000	600 000	1 200 000
Operation Sukuma Sakhe	Socio economic profiling of households	Internal	Community Services	600 000	150 000	150 000
Crime Prevention	Conduct Crime Prevention Campaigns	Internal	Community Services	150 000	150 000	150 000
Programs for the Marginalised	Gender Equality: Promote Gender Equality and Empowerment	Internal	Community Services	150 000	200 000	200 000
Programs for the Marginalised	Children's Rights: Implementation of District Childrens Rights Plan	Internal	Community Services	200 000	250 000	250 000
Programs for the Marginalised	Youth : Implement Youth Development Programmes	Internal	Community Services	600 000	800 000	1 000 000
Programs for the Marginalised	Women Empowrement Programmes	Internal	Community Services	150 000	200 000	250 000
Programs for the Marginalised	Disability:Implement the District Disability Plan	Internal	Community Services	300 000	400 000	500 000
Programs for the Marginalised	Senior Citizens : Create an enabling and supportive environment for Senior Citizens	Internal	Community Services	250 000	300 000	350 000
Culture, Arts & Heritage	Culture, Arts and Heritage: Co-ordinate Arts and Culture Programmes	Internal	Community Services	1 000 000	900 000	1 250 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Sport Development	District Elimination Games	Internal	Community Services	450 000	550 000	550 000
Sport Development	District Golden Games	Internal	Community Services	157 500	165 375	200 000
Sport Development	Mayoral Cup	Internal	Community Services	1 000 000	600 000	800 000
Sport Development	District Marathon	Internal	Community Services	500 000	700 000	1 000 000
Sport Development	Sport Development	Internal	Community Services	500 000	700 000	
Sport Development	SALGA GAMES	Internal	Community Services	2 700 000	2 700 000	3 000 000
One Home one Garden	Provide seeds and seedlings to poor households.	Internal	Community Services	60 000	70 000	80 000
			Community Services Total	**10 067 500**	**9 975 375**	**11 525 000**
Risk Management Strategy - King III	Risk Management Strategy - King III	Internal	MM's Department	150 000	200 000	250 000
Enterprise Risk Management	Enterprise Risk Management	Internal	MM's Department	220 000	300 000	350 000
Fraud & Corruption Prevention	Monitor and evaluation	Internal	MM's Department	150 000	150 000	200 000
			Corporate Services Total	**520 000**	**650 000**	**800 000**
Clean Audit 2014 and Beyond - Systems Support	Water Meter Audit of all households within District ensuring that all metered connection are accounted for and billed accordingly.	Internal	Consumer Billing	400 000	500 000	600 000
			Consumer Billing Total	**400 000**	**500 000**	**600 000**
International Day for Disaster Risk reduction	International Day for Disaster Risk reduction	Internal	Disaster Management	100 000	150 000	200 000
Disaster Risk Reduction Programme	Disaster Risk Reduction Programme	Internal	Disaster Management	100 000	150 000	200 000
Temporary Shelter	Fire Fighting services	Internal	Disaster Management	310 000	400 000	500 000
Early Warning System	Early Warning System	Internal	Disaster Management		450 000	
Establishment of Disaster Management Volunteers Programme	Establishment of Disaster Management Volunteers Programme	Internal	Disaster Management	-	200 000	250 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Disaster Stock Items	Disaster Stock Items	Internal	Disaster Management	-	300 000	350 000
Temporary Shelter	Temporary Shelter	Internal	Disaster Management	-	450 000	500 000
			Disaster Management Total	**510 000**	**2 100 000**	**2 000 000**
Agriculture	Agripark Implementation	Internal	Economic Development	-	1 250 000	1 300 000
Agriculture	Foresty Dependant livelyhood - Sokhulu	Internal	Economic Development	730 000	1 500 000	3 500 000
Agriculture	Forestry Dependant livelyhood - Port Dunford	Internal	Economic Development	-	1 500 000	3 500 000
Agriculture	Forestry Dependant livelyhood - Nkandla	Internal	Economic Development	150 000	1 500 000	3 500 000
Agriculture	Hydroponics for Permaculture & Vermaculture	Internal	Economic Development	650 000	5 000 000	4 000 000
Agriculture	Farmer Support & Development	Internal	Economic Development	650 000		
Tourism Job Creation	Entrepreneurship Expo	Internal	Economic Development	-	200 000	250 000
Tourism Job Creation	Craft Marketing	Internal	Economic Development	250 000	350 000	800 000
Tourism Job Creation	Film Office	Internal	Economic Development	350 000	400 000	600 000
Tourism Job Creation	uThungulu Creative & Performing Arts Sector	Internal	Economic Development	300 000	-	-
Tourism Job Creation	Local Film Production	Internal	Economic Development	500 000		
Tourism Job Creation	TNPA Port Festival	Internal	Economic Development	500 000	600 000	700 000
Tourism Marketing	Cruise Ship	Internal	Economic Development	50 000	250 000	400 000
Tourism Marketing	Tourism Marketing Shows	Internal	Economic Development	300 000	350 000	500 000
Tourism Marketing	The King's Experience	Internal	Economic Development	600 000	800 000	1 000 000
Tourism Marketing	Back to School - Last Dance	Internal	Economic Development	700 000	1 000 000	1 100 000
Tourism Marketing	Liberation Heritage Route	Internal	Economic Development	400 000	500 000	500 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Led Job Creation	LED Support and Implementation	Internal	Economic Development	650 000	450 000	500 000
Led Job Creation	Artisan Development	Internal	Economic Development	-	3 500 000	3 500 000
Led Job Creation	Black Industrialists Programme	Internal	Economic Development	750 000	1 000 000	1 200 000
Led Job Creation	Green Economy Projects	Internal	Economic Development	-	500 000	950 000
SMME Support & Development	SMME Support & Development	Internal	Economic Development	500 000	700 000	800 000
Annual Summit	Annual Summits	Internal	Economic Development	400 000	600 000	650 000
			Economic Development Total	**8 430 000**	**21 950 000**	**29 250 000**
Occupational Health & Safety	Implementation of Occupational Health & Safety Act	Internal	HR	100 000	200 000	200 000
Employee Assistance Programme	Implementation of Employee Assistance Programme	Internal	HR	500 000	550 000	600 000
Labour Relations	Expenses related to labour related matters	Internal	HR	100 000	100 000	100 000
Organisational Workstudy	Organisational Workstudy	Internal	HR	600 000	600 000	600 000
TASK Job Evaluation	TASK Job Evaluation Implementation (Est. of payscales)	Internal	HR	650 000	1 000 000	1 000 000
			HR Total	**1 950 000**	**2 450 000**	**2 500 000**
Organisational Workstudy & PMS	Organisational Workstudy & Systems Implementation of PMS	Internal	HR	400 000	600 000	600 000
			Performance Management Total	**400 000**	**600 000**	**600 000**
Clean Audit 2014 and Beyond - Systems Support	Outsource GRAP Compliance and Governance	Internal	Management Accounts	139 711	150 334	-
Clean Audit 2014 and Beyond - AFS and Consolidations	Outsource GRAP Compliance and Governance	MSIG	Management Accounts	156 460	168 357	-
Actuarial Valuations	Outsourcing for GRAP Compliance	Internal	Management Accounts	59 000	65 000	75 000
Credit Rating	To obtain credit rating for compliance and governance	Internal	Management Accounts	150 000	170 000	190 000
			Management Accounts Total	**505 171**	**553 691**	**265 000**

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
EPWP	EPWP Projects	EPWP	MII	5 466 000	-	-
			MII Total	**5 466 000**	**-**	**-**
Special Events	Special Events	Internal	MM's Department	800 000	500 000	600 000
Development and alignment of district IDP's	IDP Roadshows	Internal	Corporate Services	1 000 000	1 200 000	1 500 000
PR Marketing	Marketing + Billboards	Internal	MM's Department	800 000	450 000	500 000
Web-site Development	Marketing and Information of UDM	Internal	MM's Department	50 000	50 000	100 000
Business Continuity Plan	Business Continuity Plan	Internal	MM's Department	350 000	-	-
State of the District Address	Hosting of SODA	Internal	MM's Department	400 000	550 000	600 000
			MM's Department Total	**3 400 000**	**2 750 000**	**3 300 000**
Health Awareness	Health Awareness	Internal	Municipal Health	400 000	**700 000**	**800 000**
			Municipal Health Total	**400 000**	**700 000**	**800 000**
Coastal Management Programme	Support 1 Coastal programme	Internal	Planning & Environmental	250 000	350 000	350 000
SPLUMA Implementation	Operation of district JMPT's	Internal	Planning & Environmental	400 000	650 000	650 000
Annual IDP Review	Development and alignment of district IDP's	Internal	Planning & Environmental	150 000	200 000	200 000
Sector Plans	District Integrated Transport Plan & LM Assistance	Internal	Planning & Environmental	400 000	1 000 000	1 000 000
			Planning & Environmental Total	**1 200 000**	**2 200 000**	**2 200 000**
MIG Projects Advertisements	Advertisements	MIG	PMU	100 000	-	-
			PMU Total	**100 000**	**-**	**-**
Construction of VIP Sanitation	Mbonambi (281-5) VIP Sanitation Project Phase 5	MIG	Waste Water	9 393 000	-	-
Construction of VIP Sanitation	Nkandla (286-7) - VIP Sanitation Project Phase 7	MIG	Waste Water	1 000 000	-	-

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Construction of VIP Sanitation	Umlalazi (284- 9&10) VIP Sanitation Project Phase 9 & 10	WSIG	Waste Water	4 300 000	4 500 000	5 000 000
Construction of VIP Sanitation	Umlalazi (284-9) - VIP Sanitation Project Phase 9	MIG	Waste Water	10 000 000	-	
Construction of VIP Sanitation	Umlalazi (284-10) - VIP Sanitation Project Phase 10	MIG	Waste Water	-	20 000 000	20 000 000
			Waste Water Total	**24 693 000**	**24 500 000**	**25 000 000**
Green Drop Rating	Water Services Authority blue drop rating	Internal	WSA	150 000	200 000	200 000
GIS Operational Budget	GIS Operational Budget	Internal	WSA	50 000	75 000	100 000
GIS Development & Training	GIS Development & Training	Internal	WSA	50 000	75 000	100 000
Water / Sanitation Awareness Campaigns	Water / Sanitation Awareness Campaigns	Internal	WSA	100 000	120 000	150 000
National Arbor Week	National Arbor Week	Internal	WSA	100 000	120 000	150 000
National Water Week	National Water Week	Internal	WSA	100 000	120 000	150 000
Blue/Green Drop compliance	Blue/Green Drop compliance	Internal	WSA	50 000	75 000	100 000
Water Events	Water Events	Internal	WSA	100 000	120 000	150 000
Water loss management strategy - Implementation	Water loss management strategy - Implementation	Internal	WSA	400 000	500 000	600 000
DWAF Water Resource Compliance	DWAF Water Resource Compliance	Internal	WSA	400 000	500 000	600 000
Annual Update of WSDP	Annual Update of WSDP	Internal	WSA	400 000	500 000	600 000
Water Treatment Works & Waste Water TW Registration	Water Treatment Works & Waste Water TW Registration	Internal	WSA	500 000	500 000	600 000
Implementation of Section 78 Assessment	Implementation of Section 78 Assessment	Internal	WSA	400 000	500 000	600 000
Raw Water Abstraction Fee	Raw Water Abstraction Fee	Internal	WSA	700 000	800 000	1 500 000
Asset Management	Asset Management	Internal	WSA	250 000	300 000	350 000
			WSA Total	**3 750 000**	**4 505 000**	**5 950 000**

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Green Drop Rating	Cleaning/De-sludging of ponds at all wastewater treatment plants	Internal	WSP	700 000	1 000 000	1 200 000
Drought	Drought Relief (Water Carting)	Internal	WSP	34 356 166	23 740 587	38 791 711
Survival Water Borehole	Survival Water Borehole	Internal	WSP	700 000	1 000 000	1 300 000
Green Drop Rating	Refurbishment of ponds	Internal	WSP	700 000	800 000	900 000
Green Drop Rating	Green Drop Compliance	Internal	WSP	100 000	150 000	200 000
Green Drop Rating	Green Drop rating	Internal	WSP	150 000	175 000	200 000
Blue Drop Compliance	Compliance testing	Internal	WSP	150 000	175 000	200 000
			WSP Total	**36 856 166**	**27 040 587**	**42 791 711**
WC/WDM Awareness Campaigns	WC/WDM Awareness Campaigns	Internal	WUE	400 000	250 000	250 000
Mains and Reticulation leak detection surveys and repairs	Mains and Reticulation leak detection surveys and repairs	Internal	WUE	500 000	300 000	300 000
Upgrade to existing Telemetry	Upgrade to existing Telemetry	Internal	WUE	500 000	-	-
Evaluation of condition of deteriorating Infrastructure	Evaluation of condition of deteriorating Infrastructure	Internal	WUE	250 000	500 000	500 000
Planned Mains replacement programs	Planned Mains replacement programs	Internal	WUE	300 000	500 000	50 000
Domestic leak repair and domestic plumbing and Re-tro fitting programs	Domestic leak repair and domestic plumbing and Re-tro fitting programs	Internal	WUE	500 000	500 000	500 000
Top 100 consumer investigation and meter change out	Top 100 consumer investigation and meter change out	Internal	WUE	300 000	300 000	300 000
Allowance for reservoir outlet meter repair/replacement/installation	Allowance for reservoir outlet meter repair/replacement/installation	Internal	WUE	500 000	300 000	300 000
Development of Water loss related policies, i.e real loss reduction and apparent loss policies	Development of Water loss related policies, i.e real loss reduction and apparent loss policies	Internal	WUE	500 000	300 000	300 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Development and Implementation of Operations and Maintenance Plans, Asset Management Plans and Rehabilitation Plans	Development and Implementation of Operations and Maintenance Plans, Asset Management Plans and Rehabilitation Plans	Internal	WUE	500 000	300 000	300 000
GIS reference and check, GPS all properties and gather data regarding meter, level of service (both water and sanitation)	GIS reference and check, GPS all properties and gather data regarding meter, level of service (both water and sanitation)	Internal	WUE	500 000	300 000	300 000
			WUE Total	**4 750 000**	**3 550 000**	**3 100 000**
			Grand Total	**107 861 377**	**109 325 296**	**135 654 711**

1.6 Capital expenditure

The following table and figure provides a breakdown of budgeted capital expenditure by vote:

DC28 uThungulu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2016/17 Medium Term Revenue & Expenditure Framework					
R thousand	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Capital Expenditure per Vote						
Executive & Council	3 200	1%	100	0%	100	0%
Finance & Administration	7 700	2%	3 150	1%	950	0%
Community & Social	380	0%	450	0%	440	0%
Planning & Economic Development	100	0%	100	0%	100	0%
Waste Water Management	50	0%	50	0%	575	0%
Water Distribution	451 212	98%	457 595	99%	415 953	99%
Total Capital Budget	**462 642**	**100%**	**461 445**	**100%**	**418 118**	**100%**

Capital Expenditure by Vote for the 2016/17 financial year.

For 2016/17 an amount of R462 million has been appropriated for the development of water infrastructure which represents 98 per cent of the total capital budget, increasing to 99% for each of the outer years of the MTREF. Infrastructure gets the biggest share of the capital budget followed by Finance and Administration at R6.7m for the 2016/17 financial year, included in this amount is a budget allocated to the implementation of the Municipal Standard Chart of Accounts (mSCOA) which comes into effect from 1 July 2017.

Table 6: - Detailed listing of the Capital Projects for the Medium Term

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Insurance Claims (Capital)	Shortfall for insurance claims	Internal	Asset Management	250 000	400 000	450 000
			Asset Management Total	**250 000**	**400 000**	**450 000**
Internal Movable Assets	Fixed Assets	Internal	Board General Expenses	3 200 000	100 000	100 000
			Board General Expenses Total	**3 200 000**	**100 000**	**100 000**
mSCOA	Implementation of mSCOA	Internal	Budget Section	5 000 000	1 500 000	500 000
			Budget Section Total	**5 000 000**	**1 500 000**	**500 000**
Implementation of Air Quality Management Plan	Development and Update of Emission Inventory System	Internal	Community Social Services	180 000	**250 000**	**220 000**
Implementation of Air Quality Management Plan	Development and alignment of AEL system with national	Internal	Community Social Services	200 000	**200 000**	**220 000**
			Community Social Services Total	**380 000**	**450 000**	**440 000**
Internal Assests	Office equipment	Internal	Economic Development	50 000	50 000	50 000
			Economic Development Total	**50 000**	**50 000**	**50 000**
Internal Movable Assets	Office Ergonomisation Project	Internal	Finance Executive	1 000 000	500 000	-
			Finance Executive Total	**1 000 000**	**500 000**	**-**
Document Management System	Document Storage	Internal	IT	-	75 000	75 000
Collaboration System Software	Workflow DevelOpment	Internal	IT	-	75 000	75 000
Network Refresh	Computer and network components	Internal	IT	250 000	250 000	250 000
ERM System	DevelOpment: Management Information	Internal	IT	-	750 000	750 000
PABX System	Telephony Instruments	Internal	IT	50 000	75 000	75 000
Implementation of BCP	Business Continuity Plan	Internal	IT	1 000 000	1 250 000	-
DRP System	Back up hardware	Internal	IT	50 000	75 000	75 000
			IT Total	**1 350 000**	**1 300 000**	**1 300 000**
Bulk Water Supply	Kwahlokohloko SSA 1	RBIG	MII	40 000 000	30 000 000	31 000 000
Bulk Water Supply	Greater Mthonjaneni SSA 2	RBIG	MII	32 000 000	72 702 000	80 000 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Bulk Water Supply	Eshowe SSA 1	RBIG	MII	45 724 000	40 000 000	34 000 000
Bulk Water Supply	Middledrift SSA5	RBIG	MII	54 000 000	30 000 000	20 527 000
Bulk Water Supply	Nsezi Bulk	RBIG	MII	500 000	500 000	15 000 000
Bulk Water Supply	Greater Mthonjaneni SSA4	RBIG	MII	17 500 000	-	-
Bulk Water Supply	Greater Mthonjaneni SSA5	RBIG	MII	21 500 000	-	-
Bulk Water Supply	Greater Mthonjaneni WTW (Phase 2)	RBIG	MII	-	100 000	500 000
Bulk Water Supply	Greater Mthonjaneni SSA6	RBIG	MII	-	100 000	500 000
Bulk Water Supply	Greater Mthonjaneni SSA8	RBIG	MII	-	100 000	500 000
Bulk Water Supply	Vutshini Phase 1	RBIG	MII	-	-	
Bulk Water Supply	Eshowe SSA3	RBIG	MII	-	100 000	500 000
Bulk water Infrastructure Maintenance	Nkandla bulk upgrade(increase capacity and replacement of slow sand filters	Internal	MII	300 000	2 000 000	-
Bulk water Infrastructure Maintenance	Eshowe upgrade(increase capacity and replace all slow sand filters)	Internal	MII	2 500 000	5 000 000	-
Bulk water Infrastructure Maintenance	Melmoth water works refurbishment and upgrade	Internal	MII	2 500 000	5 000 000	-
Bulk water Infrastructure Maintenance	Gingindlovu refurbishment and slow sand filter replacement	Internal	MII	1 000 000	3 000 000	-
Bulk water Infrastructure Maintenance	Ekhombe pressure filter replacement	Internal	MII	600 000	-	-
Bulk water Infrastructure Maintenance	Nkandla pumpstation upgrades	Internal	MII	800 000	2 500 000	-
Bulk water Infrastructure Maintenance	Install bulk flow meters	Internal	MII	100 000	1 000 000	-
Bulk water Infrastructure Maintenance	Melmoth Bulk Water Supply	WSIG	MII	6 000 000	-	-
Bulk water Infrastructure Maintenance	Nsezi Bulk	WSIG	MII	-	20 000 000	-
Bulk water Infrastructure Maintenance	uMfolozi AC Pipe Replacement	WSIG	MII	-	-	16 000 000

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Bulk water Infrastructure Maintenance	Mthunzini AC Pipe Replacement	WSIG	MII	-	-	17 000 000
Bulk water Infrastructure Maintenance	Gingindlovu AC Pipe Replacement	WSIG	MII	-	-	17 000 000
Bulk water Infrastructure Maintenance	Tanker Reduction Strategy (WSIG)	WSIG	MII	7 000 000	19 000 000	18 000 000
Bulk water Infrastructure Maintenance	Drought Relief Projects	WSIG	MII	8 000 000	12 000 000	-
Bulk water Infrastructure Maintenance	WC/WDM Strategy Implementation	WSIG	MII	28 865 009	60 000 000	-
Bulk water Infrastructure Maintenance	KDS and Eshowe Water Supply	WSIG	MII	31 203 991	-	-
Reticulation Water Supply	Gingindlovu Waste Water Treatment Works	MIG	MII	-	50 000	
Reticulation Water Supply	Kwahlokohloko SSA 1	MIG	MII	10 000 000	15 000 000	20 000 000
Reticulation Water Supply	Eshowe SSA 1	MIG	MII	1 000 000	1 000 000	15 000 000
Reticulation Water Supply	Greater Mthonjaneni SSA 2	MIG	MII	5 181 611	15 000 000	10 000 000
Reticulation Water Supply	Greater Mthonjaneni SSA 4	MIG	MII	14 548 889	-	-
Reticulation Water Supply	Middledrift Phase 2	MIG	MII	3 000 000	-	-
Reticulation Water Supply	Middledrift SSA3	MIG	MII	250 000	9 748 000	20 000 000
Reticulation Water Supply	Vutshini Phase 1	MIG	MII	500 000	-	1 900 000
Reticulation Water Supply	Mbonambi Water Phase 2	MIG	MII	7 000 000	20 000 000	20 000 000
Reticulation Water Supply	Greater Mthonjaneni SSA 5	MIG	MII	20 888 000	-	-
Reticulation Water Supply	Mpungose Phase 1D-Reticulation	MIG	MII	15 000 000	-	9 071 023
Reticulation Water Supply	Nkandla Vutshini S/A SSA5	MIG	MII	15 000 000	20 000 000	20 000 000
Reticulation Water Supply	KwaHlokohloko S/A SSA5	MIG	MII	10 000 000	33 957 148	16 012 862
Reticulation Water Supply	Mhlana Somopho Phase 3C	MIG	MII	18 000 000	10 000 000	4 691 708
Reticulation Water Supply	Middledrift SSA 5	MIG	MII	15 000 000	23 312 552	20 000 000
Reticulation Water Supply	Mbonambi Water SSA 2	MIG	MII	1 000 000	1 000 000	2 000 000
Reticulation Water Supply	Water Reticulation - Kwasokhulu	RBM	MII	6 000 000	-	-
			MII Total	**442 461 500**	**452 169 700**	**409 202 593**

PROJECT NAME	PROJECT DESCRIPTION	FUNDING SOURCE	DEPARTMENT	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Internal Movable Asset	Office Equipment	Internal	Planning & Environment	50 000	50 000	50 000
			Planning & Environment Total	**50 000**	**50 000**	**50 000**
Internal Movable Assest	Office Equipment	Internal	SCM	100 000	-	-
			SCM Total	**100 000**	**-**	**-**
Gingindlovu Waste Water Treatment Works	Office Equipment	MIG	Waste Water Management	50 000	50 000	575 157
			Waste Water Management Total	**50 000**	**50 000**	**575 157**
Survival Water Programme	Drilling of Boreholes	Internal	WSA	1 000 000	1 000 000	1 000 000
Internal Movable Assets	Furniture & Equipment	Internal	WSA	100 000	75 000	50 000
			WSA Total	**1 100 000**	**1 075 000**	**1 050 000**
Existing Projects Extensions	Existing Projects Extensions	Internal	WSP	500 000	600 000	700 000
Internal Movable Assets	Office equipment	Internal	WSP	100 000	-	-
Water metre installation	Water metre installation	Internal	WSP	1 500 000	-	-
Health and Safety Plants	Health and Safety Plants	Internal	WSP	500 000	-	-
Water & Waste Schemes Upgrade	Melmoth Water & Waste Schemes Upgrade	Internal	WSP	500 000	750 000	1 000 000
Water & Waste Schemes Upgrade	Gingindlovu Water & Waste Schemes Upgrade	Internal	WSP	500 000	750 000	1 000 000
Water & Waste Schemes Upgrade	Nkandla Water & Waste Schemes Upgrade	Internal	WSP	500 000	750 000	1 000 000
Water & Waste Schemes Upgrade	Mbonambi Water & Waste Schemes Upgrade	Internal	WSP	500 000	750 000	1 000 000
Water & Waste Schemes Upgrade	Mthunzini Water & Waste Schemes Upgrade	Internal	WSP	500 000	750 000	1 000 000
			WSP Total	**5 100 000**	**4 350 000**	**5 700 000**
Internal Movable Assets	Office equipment	Internal	WUE	150 000	-	-
Installation of Domestic Meters	Installation of Domestic Meters	Internal	WUE	1 000 000	-	-
Cluster Metering of Standpipes & Tanker points	Metering of Standpipes & Tanker points	Internal	WUE	1 000 000	-	-
Office Establishment (Park Office)	Office Establishment (Park Office)	Internal	WUE	400 000	-	-
			WUE TOTAL	**2 550 000**	**-**	**-**
			Grand Total	**462 641 500**	**463 244 700**	**419 417 750**

The figure below indicates the municipality's 2016/17 Capital Budget by Funding Source.

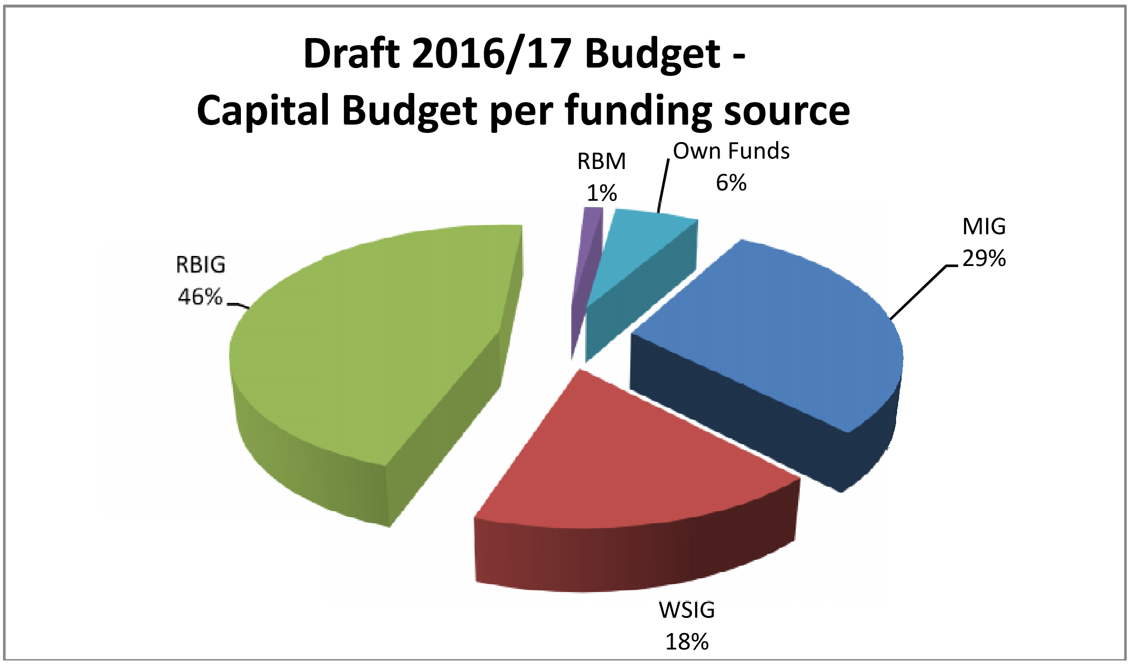


Figure 7 Capital Budget by Funding Source for the 2016/17 financial year

1.7 Service Delivery and Budget Implementation Plan

The Draft uThungulu District Municipality’s Service Delivery and Budget Implementation Plan will be compiled in terms of Section 53(1) of the MFMA and the Draft will serve before Council with the final 2016/17 MTREF budget on the 20th April 2016.

uThungulu Fresh Produce Market - UFPM

The municipality has formally registered an entity to function as a Fresh Produce Market. The uThungulu District Municipality holds a 100 percent shareholding in this entity. The entity started operating on its own from April 2015. A separate budget for the 2016/17 financial year has been submitted by the entity and is included in this Budget report.

1.8 Annual Budget Tables – Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 7 MBRR Table A1 - Budget Summary

DC28 uThungulu - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	49 902	53 801	53 826	65 748	65 748	65 748	–	75 834	88 518	97 370
Investment revenue	27 113	32 866	37 046	30 374	32 574	32 574	–	37 197	37 834	40 104
Transfers recognised - operational	396 314	423 490	469 387	490 849	477 364	477 364	–	472 693	498 724	539 568
Other own revenue	10 230	15 300	15 143	32 430	123 092	123 092	–	50 091	22 748	4 445
Total Revenue (excluding capital transfers and contributions)	483 560	525 457	575 402	619 400	698 778	698 778	–	635 814	647 825	681 487
Employee costs	99 493	111 559	132 210	175 275	158 890	158 890	–	191 046	203 321	216 462
Remuneration of councillors	8 523	8 814	9 395	11 411	11 411	11 411	–	11 411	12 153	12 943
Depreciation & asset impairment	50 917	48 971	48 881	52 920	52 920	52 920	–	64 000	71 397	77 961
Finance charges	19 376	13 637	12 672	16 656	16 656	16 656	–	17 447	6 972	7 362
Materials and bulk purchases	29 466	32 471	39 224	41 035	44 267	44 267	–	48 497	46 102	48 684
Transfers and grants	11 127	12 233	7 181	12 563	7 563	7 563	–	5 000	4 000	3 000
Other expenditure	252 604	290 407	384 154	334 198	423 437	423 437	–	332 383	344 911	381 900
Total Expenditure	471 506	518 092	633 717	644 059	715 145	715 145	–	669 784	688 857	748 312
Surplus/(Deficit)	12 054	7 365	(58 315)	(24 658)	(16 367)	(16 367)	–	(33 970)	(41 033)	(66 825)
Transfers recognised - capital	173 857	209 559	229 446	489 275	455 837	455 837	–	433 012	438 220	414 778
Contributions recognised - capital & contributed assets	–	–	–	–	2 500	2 500	–	6 000	–	–
Surplus/(Deficit) after capital transfers & contributions	185 911	216 924	171 131	464 617	441 970	441 970	–	405 042	397 187	347 953
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	185 911	216 924	171 131	464 617	441 970	441 970	–	405 042	397 187	347 953
Capital expenditure & funds sources										
Capital expenditure	174 201	218 317	232 852	512 245	489 598	489 598	–	462 642	461 445	418 118
Transfers recognised - capital	160 743	182 163	218 093	490 275	456 837	456 837	–	428 712	433 720	409 778
Public contributions & donations	–	–	–	–	2 500	2 500	–	6 000	–	–
Borrowing	3 088	60	8 766	–	2 775	2 775	–	–	–	–
Internally generated funds	10 370	36 094	5 994	21 970	27 486	27 486	–	27 930	27 725	8 340
Total sources of capital funds	174 201	218 317	232 852	512 245	489 598	489 598	–	462 642	461 445	418 118
Financial position										
Total current assets	505 448	589 964	588 839	375 944	375 944	375 944	–	369 328	355 642	362 558
Total non current assets	1 199 526	1 366 963	1 545 008	2 485 766	2 463 119	2 463 119	–	2 853 420	3 237 343	3 577 451
Total current liabilities	205 505	241 014	245 903	147 365	147 365	147 365	–	136 318	134 135	137 748
Total non current liabilities	154 508	152 662	154 834	154 639	154 639	154 639	–	146 967	150 841	154 407
Community wealth/Equity	1 344 961	1 563 250	1 733 110	2 559 706	2 537 059	2 537 059	–	2 939 463	3 308 010	3 647 853
Cash flows										
Net cash from (used) operating	248 519	278 630	114 463	492 599	402 208	402 208	–	421 207	442 175	417 244
Net cash from (used) investing	(145 830)	(200 776)	(197 972)	(506 821)	(484 174)	(484 174)	–	(448 302)	(455 321)	(418 078)
Net cash from (used) financing	(23 558)	(4 946)	(6 938)	(8 663)	(8 663)	(8 663)	–	(9 364)	(6 538)	1 152
Cash/cash equivalents at the year end	445 849	518 756	428 309	413 553	345 808	337 679	–	(36 458)	(56 141)	(55 823)
Cash backing/surplus reconciliation										
Cash and investments available	470 521	541 761	448 076	359 154	359 154	359 154	–	315 429	289 667	289 985
Application of cash and investments	511 007	601 316	279 340	254 346	347 775	347 775	–	268 074	237 462	222 000
Balance - surplus (shortfall)	(40 485)	(59 555)	168 736	104 808	11 379	11 379	–	47 355	52 205	67 985
Asset management										
Asset register summary (WDV)	1 174 413	1 343 566	1 524 894	2 406 978	2 384 256	2 384 256	2 361 141	2 361 141	2 751 188	3 093 145
Depreciation & asset impairment	50 917	48 971	48 881	52 920	52 920	52 920	64 000	64 000	71 397	77 961
Renewal of Existing Assets	–	–	–	489 510	454 793	454 793	454 793	385 546	352 720	392 786
Repairs and Maintenance	43 985	52 108	76 820	47 626	68 371	68 371	58 196	58 196	60 607	64 001

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a brief overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Capital transfers and contributions) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not providing for cash backed provisions due to budget limitations. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections and increase in indigent customers. The municipality is in the process of developing the Funding and Reserves Policy as required by section 7 of the Municipal Budget and Reporting Regulations in order to deal with the cash backing of the reserves. It is anticipated that the policy will prescribe the percentage of cash backing that will progressively increase over the years which will eventually result in all the reserves being fully cash backed in the long run.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this must not be done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. According to the recently compiled Water Services Delivery Plan, it is anticipated that the municipality will only be able to eliminate water backlogs by the year 2030, unless urgent interventions are implemented.

Table 8: MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC28 uThungulu - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard										
Governance and administration		**385 894**	**458 693**	**498 336**	**797 907**	**846 346**	**846 346**	**774 885**	**760 838**	**742 869**
Executive and council		–	–	–	–	–	–	–	–	–
Budget and treasury office		384 727	458 693	498 336	797 907	846 346	846 346	774 885	760 838	742 869
Corporate services		1 168	–	–	–	–	–	–	–	–
Community and public safety		**16 200**	**17 282**	**18 423**	**19 314**	**19 314**	**19 314**	**389**	**428**	**471**
Community and social services		270	232	270	291	291	291	389	428	471
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		15 930	17 050	18 152	19 023	19 023	19 023	–	–	–
Economic and environmental services		–	–	–	–	–	–	–	–	–
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**255 322**	**259 101**	**288 090**	**291 455**	**291 455**	**291 455**	**299 551**	**324 778**	**352 925**
Electricity		–	–	–	–	–	–	–	–	–
Water		181 625	200 034	211 093	225 187	225 187	225 187	250 309	273 044	298 017
Waste water management		61 975	47 686	63 473	51 941	51 941	51 941	26 571	26 796	27 475
Waste management		11 722	11 381	13 524	14 327	14 327	14 327	22 671	24 938	27 432
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	**657 417**	**735 076**	**804 848**	**1 108 676**	**1 157 115**	**1 157 115**	**1 074 826**	**1 086 044**	**1 096 265**
Expenditure - Standard										
Governance and administration		**99 452**	**95 408**	**118 972**	**145 084**	**148 503**	**148 503**	**158 066**	**156 896**	**163 738**
Executive and council		29 408	20 626	27 647	33 914	40 075	40 075	36 068	37 726	40 564
Budget and treasury office		34 271	30 908	41 740	48 442	48 959	48 959	57 743	50 315	50 041
Corporate services		35 773	43 873	49 585	62 728	59 469	59 469	64 255	68 855	73 134
Community and public safety		**28 032**	**30 265**	**35 738**	**49 688**	**49 119**	**49 119**	**52 024**	**56 553**	**60 865**
Community and social services		15 612	14 202	17 312	22 605	25 044	25 044	24 034	24 876	27 403
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		5 279	5 653	5 429	8 066	6 682	6 682	6 768	8 765	9 091
Housing		–	–	–	–	–	–	–	–	–
Health		7 141	10 410	12 996	19 018	17 392	17 392	21 223	22 912	24 371
Economic and environmental services		**12 178**	**15 231**	**27 716**	**21 575**	**32 626**	**32 626**	**27 328**	**41 700**	**48 890**
Planning and development		12 178	15 231	27 716	21 575	32 626	32 626	27 328	41 700	48 890
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**331 844**	**377 188**	**451 291**	**427 712**	**484 896**	**484 896**	**432 366**	**433 708**	**474 819**
Electricity		–	–	–	–	–	–	–	–	–
Water		245 703	296 180	347 702	332 841	370 286	370 286	367 972	366 656	404 574
Waste water management		59 426	46 383	65 097	50 160	70 473	70 473	28 493	28 607	29 401
Waste management		26 715	34 624	38 492	44 711	44 137	44 137	35 902	38 446	40 844
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	**471 506**	**518 092**	**633 717**	**644 059**	**715 144**	**715 144**	**669 784**	**688 857**	**748 312**
Surplus/(Deficit) for the year		**185 911**	**216 984**	**171 131**	**464 617**	**441 971**	**441 971**	**405 042**	**397 187**	**347 953**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into separate functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile ‘whole of government’ reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for uThungulu District Municipality, Water & Waste water functions, except for the Waste management function. As highlighted previously, the municipality still has a long way to go in achieving cost reflective tariffs as this needs to be done whilst ensuring minimal impact on the consumers, especially the poorest of the poor.

Table 9 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC28 uThungulu - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–
Vote 2 - Economic Development, Planning & Enviroment		–	–	–	–	–	–	–	–	–
Vote 3 - Community & Social Services		270	232	270	291	291	291	389	428	471
Vote 4 - Public Safety		–	–	–	–	–	–	–	–	–
Vote 5 - Enviromental Health		15 930	17 050	18 152	19 023	19 023	19 023	–	–	–
Vote 6 - Finance & Administration		385 894	458 693	498 336	797 907	846 346	846 346	774 885	760 838	742 869
Vote 7 - Infrastructure Services		181 625	200 034	211 093	225 187	225 187	225 187	250 309	273 044	298 017
Vote 8 - Waste Management		11 722	11 381	13 524	14 327	14 327	14 327	22 671	24 938	27 432
Vote 9 - Waste Water Management		61 975	47 686	63 473	51 941	51 941	51 941	26 571	26 796	27 475
10.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
11.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
12.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
13.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
14.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
15.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**657 417**	**735 076**	**804 848**	**1 108 676**	**1 157 115**	**1 157 115**	**1 074 826**	**1 086 044**	**1 096 265**
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Executive & Council		44 261	38 891	38 847	56 182	59 812	59 812	58 775	62 026	66 524
Vote 2 - Economic Development, Planning & Enviroment		12 178	15 967	27 716	21 575	32 626	32 626	27 328	41 700	48 890
Vote 3 - Community & Social Services		15 612	14 202	17 312	22 605	25 044	25 044	24 034	24 876	27 403
Vote 4 - Public Safety		5 279	5 653	5 429	8 066	6 682	6 682	6 768	8 765	9 091
Vote 5 - Enviromental Health		7 141	10 410	12 751	19 018	17 392	17 392	21 223	22 912	24 371
Vote 6 - Finance & Administration		55 192	55 781	80 370	88 902	88 692	88 692	99 291	94 870	97 215
Vote 7 - Infrastructure Services		245 702	296 180	347 702	332 841	370 286	370 286	367 972	366 656	404 574
Vote 8 - Waste Management		26 714	34 624	38 492	44 711	44 137	44 137	35 902	38 446	40 844
Vote 9 - Waste Water Management		59 426	46 383	65 097	50 160	70 473	70 473	28 493	28 607	29 401
10.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
11.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
12.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
13.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
14.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
15.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**471 506**	**518 092**	**633 717**	**644 059**	**715 145**	**715 145**	**669 784**	**688 857**	**748 312**
Surplus/(Deficit) for the year	2	**185 912**	**216 985**	**171 131**	**464 617**	**441 970**	**441 970**	**405 042**	**397 187**	**347 953**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 10 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC28 uThungulu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	33 305	37 659	35 134	45 709	45 709	45 709	–	46 595	56 356	61 991
Service charges - sanitation revenue	2	4 605	4 529	4 898	5 421	5 421	5 421	–	6 178	6 796	7 475
Service charges - refuse revenue	2	11 722	11 381	13 524	14 327	14 327	14 327	–	22 671	24 938	27 432
Service charges - other		270	232	270	291	291	291		389	428	471
Rental of facilities and equipment		34	37	36	–	–	–				
Interest earned - external investments		27 113	32 866	37 046	30 374	32 574	32 574		37 197	37 834	40 104
Interest earned - outstanding debtors		34	28	29	276	276	276		293	310	329
Dividends received					–						
Fines					–						
Licences and permits					–						
Agency services					–						
Transfers recognised - operational		396 314	423 490	469 387	490 849	477 364	477 364		472 693	498 724	539 568
Other revenue	2	10 162	15 236	15 078	32 154	122 816	122 816	–	49 799	22 438	4 117
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		**483 560**	**525 457**	**575 402**	**619 400**	**698 778**	**698 778**	**–**	**635 814**	**647 825**	**681 487**
Expenditure By Type											
Employee related costs	2	99 493	111 559	132 210	175 275	158 890	158 890	–	191 046	203 321	216 462
Remuneration of councillors		8 523	8 814	9 395	11 411	11 411	11 411		11 411	12 153	12 943
Debt impairment	3	4 190	4 330	10 260	3 637	3 637	3 637		3 834	4 037	4 260
Depreciation & asset impairment	2	50 917	48 971	48 881	52 920	52 920	52 920	–	64 000	71 397	77 961
Finance charges		19 376	13 637	12 672	16 656	16 656	16 656		17 447	6 972	7 362
Bulk purchases	2	29 466	32 471	39 224	40 533	43 841	43 841	–	48 010	45 589	48 142
Other materials	8				503	427	427		487	513	542
Contracted services		65 270	82 515	90 364	109 793	110 708	110 708	–	103 388	108 637	113 268
Transfers and grants		11 127	12 233	7 181	12 563	7 563	7 563	–	5 000	4 000	3 000
Other expenditure	4, 5	182 879	203 369	282 124	220 768	309 092	309 092	–	225 161	232 238	264 372
Loss on disposal of PPE		265	193	1 406							
Total Expenditure		**471 506**	**518 092**	**633 717**	**644 059**	**715 145**	**715 145**	**–**	**669 784**	**688 857**	**748 312**
Surplus/(Deficit)		**12 054**	**7 365**	**(58 315)**	**(24 658)**	**(16 367)**	**(16 367)**	**–**	**(33 970)**	**(41 033)**	**(66 825)**
Transfers recognised - capital		173 857	209 559	229 446	489 275	455 837	455 837		433 012	438 220	414 778
Contributions recognised - capital	6	–	–	–	–	2 500	2 500	–	6 000	–	–
Contributed assets						–	–				
Surplus/(Deficit) after capital transfers & contributions		**185 911**	**216 924**	**171 131**	**464 617**	**441 970**	**441 970**	**–**	**405 042**	**397 187**	**347 953**
Taxation											
Surplus/(Deficit) after taxation		**185 911**	**216 924**	**171 131**	**464 617**	**441 970**	**441 970**	**–**	**405 042**	**397 187**	**347 953**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**185 911**	**216 924**	**171 131**	**464 617**	**441 970**	**441 970**	**–**	**405 042**	**397 187**	**347 953**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**185 911**	**216 924**	**171 131**	**464 617**	**441 970**	**441 970**	**–**	**405 042**	**397 187**	**347 953**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R669 million in 2016/17 and escalates to R748 million by 2018/19. This represents an increase of 12% over the medium term.
2. Service charges relating to water, sanitation and refuse constitutes the biggest component of the revenue basket of the Municipality, totalling R75 million for the 2016/17 financial year and increasing to R97 million by 2018/19. For the 2016/17 financial year services charges amount to 12% of the total revenue base and grows to 14% per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of water.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. To be noted that the Equitable Share allocation has seen a decrease of R10,7m when compared to the 2015/16 projections as Gazette in the 2015 Division of Revenue Act. The most likely cause for EQS decrease is the KZ283 wards that are moving to KZ282, UDM will no longer be WSA in those wards.
4. Employee related costs have increased by 20% from the 2015/16 full year forecast, this is due to the inflationary increase of 6% on salaries in line with 2015 Salary and Wage Collective agreement, as well as newly funded positions that have been included in the 2016/17 financial year. Also to be noted that the salaries budget for 2015/16 was adjusted downwards due to savings on vacant positions and some unutilised staff benefits. Also to be noted that the scarce skills allowance was revised for certain categories of staff in line with the approved Council policy which is aimed at attracting and retaining skilled staff in the district municipality.
5. Depreciation has been budgeted for at R64m for the 2016/17 financial year and increasing to R78m over the MTREF, this is as a result of the infrastructure assets that are being added onto the fixed asset register as a result of new schemes being commissioned.
6. Finances Charges comprise of the repayments of the current loans that were acquired by Council in order to fast track the backlog eradication process and Finance Partnership, this expenditure item amounts to a total of R32 million over the MTREF.

7. Bulk purchases have significantly increased over the MTREF, with a total allocation of R142 million over the MTREF. This can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from the Bulk Water suppliers as well as the anticipated completion of schemes under the Greater Mthonjaneni, Middledrift and KwaHlokohloko water projects.

8. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 11 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC28 uThungulu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Capital expenditure - Vote</u>											
<u>Multi-year expenditure</u> *to be appropriated*	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Economic Development, Planning & Enviroment		–	–	–	–	–	–	–	–	–	–
Vote 3 - Community & Social Services		364	–	233	1 085	10 182	10 182	–	–	–	–
Vote 4 - Public Safety		–	–	–	–	–	–	–	–	–	–
Vote 5 - Enviromental Health		–	–	–	–	–	–	–	–	–	–
Vote 6 - Finance & Administration		–	–	–	–	–	–	–	–	–	–
Vote 7 - Infrastructure Services		156 579	211 132	133 704	491 190	455 366	455 366	–	428 162	423 220	410 903
Vote 8 - Waste Management		–	341	–	–	–	–	–	–	–	–
Vote 9 - Waste Water Management		–	1 080	–	4 550	1 751	1 751	–	–	–	–
10.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
11.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
12.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
13.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
14.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
15.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**156 943**	**212 553**	**133 937**	**496 825**	**467 299**	**467 299**	**–**	**428 162**	**423 220**	**410 903**
<u>Single-year expenditure</u> *to be appropriated*	2										
Vote 1 - Executive & Council		1 625	1 580	–	950	1 464	1 464	–	3 200	100	100
Vote 2 - Economic Development, Planning & Enviroment		–	142	–	170	170	170	–	100	100	100
Vote 3 - Community & Social Services		56	471	87 574	780	530	530	–	380	450	440
Vote 4 - Public Safety		16	–	–	1 700	2 014	2 014	–	–	–	–
Vote 5 - Enviromental Health		–	–	–	400	400	400	–	–	–	–
Vote 6 - Finance & Administration		4 414	3 571	2 912	2 510	5 506	5 506	–	7 700	3 150	950
Vote 7 - Infrastructure Services		3 602	–	997	8 560	5 729	5 729	–	23 050	34 375	5 050
Vote 8 - Waste Management		–	–	–	350	1 050	1 050	–	–	–	–
Vote 9 - Waste Water Management		7 545	–	7 431	–	5 437	5 437	–	50	50	575
10.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
11.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
12.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
13.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
14.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
15.3 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**17 258**	**5 764**	**98 914**	**15 420**	**22 299**	**22 299**	**–**	**34 480**	**38 225**	**7 215**
Total Capital Expenditure - Vote		**174 201**	**218 317**	**232 852**	**512 245**	**489 598**	**489 598**	**–**	**462 642**	**461 445**	**418 118**
<u>Capital Expenditure - Standard</u>											
Governance and administration		**6 038**	**5 151**	**3 744**	**3 860**	**6 970**	**6 970**	**–**	**10 900**	**3 250**	**1 050**
Executive and council		195	1 554	651	850	1 360	1 360		3 200	100	100
Budget and treasury office		354	530	3 093	1 660	2 208	2 208		6 350	1 900	950
Corporate services		5 489	3 067		1 350	3 402	3 402		1 350	1 250	–
Community and public safety		**436**	**471**	**1 607**	**3 965**	**13 126**	**13 126**	**–**	**380**	**450**	**440**
Community and social services		420	471	1 537	2 265	10 712	10 712	–	380	450	440
Sport and recreation						–	–				
Public safety		16		70	1 700	2 014	2 014				
Housing						–	–				
Health						400	400				
Economic and environmental services		**–**	**142**	**521**	**170**	**170**	**170**	**–**	**100**	**100**	**100**
Planning and development			142	521	170	170	170		100	100	100
Road transport						–	–				
Environmental protection						–	–				
Trading services		**167 727**	**212 553**	**226 980**	**504 250**	**469 333**	**469 333**	**–**	**451 262**	**457 645**	**416 528**
Electricity						–	–				
Water		160 182	211 132	213 118	499 350	461 095	461 095		451 212	457 595	415 953
Waste water management		7 545	1 080	13 831	4 550	7 188	7 188		50	50	575
Waste management		–	341	32	350	1 050	1 050				
Other					**–**	**–**	**–**				
Total Capital Expenditure - Standard	3	**174 201**	**218 317**	**232 852**	**512 245**	**489 598**	**489 598**	**–**	**462 642**	**461 445**	**418 118**
<u>Funded by:</u>											
National Government		160 724	182 163	203 279	490 275	456 837	456 837	–	428 712	433 720	409 778
Provincial Government		19		14 814		–	–				
District Municipality						–	–				
Other transfers and grants						–	–				
Transfers recognised - capital	4	**160 743**	**182 163**	**218 093**	**490 275**	**456 837**	**456 837**	**–**	**428 712**	**433 720**	**409 778**
Public contributions & donations	5					2 500	2 500	–	6 000		
Borrowing	6	3 088	60	8 766	–	2 775	2 775				
Internally generated funds		10 370	36 094	5 994	21 970	27 486	27 486		27 930	27 725	8 340
Total Capital Funding	7	**174 201**	**218 317**	**232 852**	**512 245**	**489 598**	**489 598**	**–**	**462 642**	**461 445**	**418 118**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17, R429 million has been allocated for the capital budget. This allocation decreases to R424 million in 2017/18 and then to goes down to R411 million in 2018/19.
3. Single-year capital expenditure has been appropriated at R33 million for the 2016/17 financial year and totals R77m over the Medium term.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office machinery and specialized tools and equipment and ad hoc projects with a life cycle of not more than a year. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
5. The capital programme is funded from national grants and transfers, and internally generated funds. For 2016/17, capital transfers totals R433 million, increases to R438 million in 2017/18 and goes down to R415 million in 2018/19. Internally generated funding has been provided for at a total of R68m over the MTREF.

Table 12 MBRR Table A6 - Budgeted Financial Position

DC28 uThungulu - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash		75 848	38 756	78 309	24 782	24 782	24 782		29 350	29 667	29 985
Call investment deposits	1	370 000	480 000	350 000	320 000	320 000	320 000	–	280 000	260 000	260 000
Consumer debtors	1	37 791	44 203	81 990	11 702	11 702	11 702	–	22 971	25 268	27 794
Other debtors		14 502	20 413	69 881	10 433	10 433	10 433		27 082	29 790	32 769
Current portion of long-term receivables		38	39	44	42	42	42		41	45	49
Inventory	2	7 269	6 552	8 615	8 986	8 986	8 986		9 884	10 873	11 960
Total current assets		**505 448**	**589 964**	**588 839**	**375 944**	**375 944**	**375 944**	**–**	**369 328**	**355 642**	**362 558**
Non current assets											
Long-term receivables		440	393	347	313	313	313		266	221	173
Investments		24 673	23 004	19 767	14 372	14 372	14 372		6 079	–	
Investment property						–	–				
Investment in Associate						–	–				
Property, plant and equipment	3	1 173 336	1 342 634	1 523 844	2 469 678	2 445 655	2 445 655	–	2 844 880	3 235 150	3 575 455
Agricultural						–	–				
Biological						–	–				
Intangible		1 077	932	1 050	1 402	2 778	2 778		2 194	1 972	1 824
Other non-current assets						–	–				
Total non current assets		**1 199 526**	**1 366 963**	**1 545 008**	**2 485 766**	**2 463 119**	**2 463 119**	**–**	**2 853 420**	**3 237 343**	**3 577 451**
TOTAL ASSETS		**1 704 974**	**1 956 927**	**2 133 846**	**2 861 710**	**2 839 063**	**2 839 063**	**–**	**3 222 748**	**3 592 986**	**3 940 009**
LIABILITIES											
Current liabilities											
Bank overdraft	1					–	–				
Borrowing	4	10 595	12 036	9 529	15 531	15 531	15 531	–	11 047	5 928	6 670
Consumer deposits		9 114	9 661	9 698	9 521	9 521	9 521		10 473	11 520	12 672
Trade and other payables	4	168 870	214 756	225 292	115 559	115 559	115 559	–	113 243	115 030	116 643
Provisions		16 926	4 561	1 384	6 754	6 754	6 754		1 555	1 656	1 763
Total current liabilities		**205 505**	**241 014**	**245 903**	**147 365**	**147 365**	**147 365**	**–**	**136 318**	**134 135**	**137 748**
Non current liabilities											
Borrowing		78 874	72 487	68 056	52 525	52 525	52 525	–	44 020	38 533	31 864
Provisions		75 634	80 175	86 777	102 114	102 114	102 114	–	102 948	112 308	122 544
Total non current liabilities		**154 508**	**152 662**	**154 834**	**154 639**	**154 639**	**154 639**	**–**	**146 967**	**150 841**	**154 407**
TOTAL LIABILITIES		**360 013**	**393 676**	**400 737**	**302 004**	**302 004**	**302 004**	**–**	**283 285**	**284 976**	**292 156**
NET ASSETS	5	**1 344 961**	**1 563 250**	**1 733 110**	**2 559 706**	**2 537 059**	**2 537 059**	**–**	**2 939 463**	**3 308 010**	**3 647 853**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 079 969	1 298 258	1 468 118	2 294 714	2 272 067	2 272 067		2 674 471	3 043 018	3 382 861
Reserves	4	264 992	264 992	264 992	264 992	264 992	264 992	–	264 992	264 992	264 992
TOTAL COMMUNITY WEALTH/EQUITY	5	**1 344 961**	**1 563 250**	**1 733 110**	**2 559 706**	**2 537 059**	**2 537 059**	**–**	**2 939 463**	**3 308 010**	**3 647 853**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
3. The budgeted Community wealth or equity for the MTREF is R2,9 billion, R3.3 billion and R3.6 billion for the 16/17,17/18 and 18/19 financial years respectively.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 13 MBRR Table A7 - Budgeted Cash Flow Statement

DC28 uThungulu - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges					–	–			–	–	–
Service charges		49 902	53 801	53 826	59 173	59 173	59 173		68 250	79 667	87 633
Other revenue		5 933	4 615	(8 161)	10 154	27 041	27 041		11 714	844	924
Government - operating	1	337 874	371 631	398 843	490 849	477 364	477 364		472 693	498 724	539 568
Government - capital	1	244 168	277 214	250 503	489 275	458 337	458 337		433 012	438 220	414 778
Interest		27 147	32 894	37 074	30 650	32 850	32 850		37 489	38 144	40 432
Dividends					–	–			–	–	–
Payments											
Suppliers and employees		(386 003)	(441 303)	(597 770)	(558 283)	(628 338)	(628 338)		(579 503)	(602 451)	(655 729)
Finance charges		(19 375)	(7 988)	(12 672)	(16 656)	(16 656)	(16 656)		(17 447)	(6 972)	(7 362)
Transfers and Grants	1	(11 127)	(12 233)	(7 181)	(12 563)	(7 563)	(7 563)		(5 000)	(4 000)	(3 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**248 519**	**278 630**	**114 463**	**492 599**	**402 208**	**402 208**	**–**	**421 207**	**442 175**	**417 244**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				1 237					6 000	–	–
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables		53	46	42	41	41	41		47	45	40
Decrease (increase) in non-current investments		21 534	1 668	3 238	5 383	5 383	5 383		8 293	6 079	–
Payments											
Capital assets		(167 417)	(202 490)	(202 488)	(512 245)	(489 598)	(489 598)		(462 642)	(461 445)	(418 118)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(145 830)**	**(200 776)**	**(197 972)**	**(506 821)**	**(484 174)**	**(484 174)**	**–**	**(448 302)**	**(455 321)**	**(418 078)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans					–	–			–	–	–
Borrowing long term/refinancing					–	–			–	–	–
Increase (decrease) in consumer deposits		885	–	–	866	866	866		952	1 047	1 152
Payments											
Repayment of borrowing		(24 442)	(4 946)	(6 938)	(9 529)	(9 529)	(9 529)		(10 316)	(7 585)	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(23 558)**	**(4 946)**	**(6 938)**	**(8 663)**	**(8 663)**	**(8 663)**	**–**	**(9 364)**	**(6 538)**	**1 152**
NET INCREASE/ (DECREASE) IN CASH HELD		**79 132**	**72 908**	**(90 447)**	**(22 885)**	**(90 630)**	**(90 630)**	**–**	**(36 458)**	**(19 683)**	**318**
Cash/cash equivalents at the year begin:	2	**366 717**	445 848	518 756	**436 438**	**436 438**	**428 309**		**345 808**	**309 350**	**289 667**
Cash/cash equivalents at the year end:	2	**445 849**	**518 756**	**428 309**	**413 553**	**345 808**	**337 679**	**–**	**309 350**	**289 667**	**289 985**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The budgeted cash/cash equivalents are R309m, R290m and R290m for the 2016/2017, 2017/2018 and 2018/2019 financial years respectively.

Table 14 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

DC28 uThungulu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	445 849	518 756	428 309	413 553	345 808	337 679	–	309 350	289 667	289 985
Other current investments > 90 days		(0)	(0)	–	(68 771)	(1 026)	7 103	–	(0)	(0)	(0)
Non current assets - Investments	1	24 673	23 004	19 767	14 372	14 372	14 372	–	6 079	–	–
Cash and investments available:		**470 521**	**541 761**	**448 076**	**359 154**	**359 154**	**359 154**	**–**	**315 429**	**289 667**	**289 985**
Application of cash and investments											
Unspent conditional transfers		32 460	51 186	38 603	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2					–	–				
Other working capital requirements	3	87 376	108 539	85 723	99 691	105 305	105 305	–	81 258	74 981	63 816
Other provisions		154 508	157 760	154 834	154 639	154 369	154 369		102 948	112 308	122 544
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	236 594	283 757			88 096	88 096		83 837	50 122	35 640
Total Application of cash and investments:		**510 938**	**601 242**	**279 161**	**254 330**	**347 770**	**347 770**	**–**	**268 042**	**237 412**	**222 000**
Surplus(shortfall)		**(40 416)**	**(59 481)**	**168 915**	**104 824**	**11 384**	**11 384**	**–**	**47 387**	**52 255**	**67 985**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be “funded”.
4. A focal point in this table is that the municipality has budgeted to fully spend all grant allocations received in the outer years.

Table 15 MBRR Table A9 - Asset Management

DC28 uThungulu - Table A9 Asset Management

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE										
Total New Assets	1	**174 201**	**218 317**	**232 852**	**22 735**	**34 805**	**34 805**	**77 095**	**108 725**	**25 332**
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		74 033	186 003	120 180	14 165	12 036	12 036	64 465	104 900	23 692
Infrastructure - Sanitation		67	50	–	–	–	–	–	–	–
Infrastructure - Other		96 487	24 426	108 317	1 500	850	850	–	–	–
Infrastructure		*170 587*	*210 479*	*228 496*	*15 665*	*12 886*	*12 886*	*64 465*	*104 900*	*23 692*
Community		–	–	–	–	10 182	10 182	880	400	440
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	3 522	7 459	3 729	6 795	10 010	10 010	11 700	3 125	900
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		93	379	627	275	1 726	1 726	50	300	300
Total Renewal of Existing Assets	2	**–**	**–**	**–**	**489 510**	**454 793**	**454 793**	**385 546**	**352 720**	**392 786**
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	485 375	447 584	447 584	385 496	352 620	392 211
Infrastructure - Sanitation		–	–	–	4 050	7 195	7 195	50	50	575
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	*489 425*	*454 779*	*454 779*	*385 546*	*352 670*	*392 786*
Community		–	–	–	–	–	–	–	50	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	85	15	15	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Capital Expenditure	4									
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		74 033	186 003	120 180	499 540	459 620	459 620	449 962	457 520	415 903
Infrastructure - Sanitation		67	50	–	4 050	7 195	7 195	50	50	575
Infrastructure - Other		96 487	24 426	108 317	1 500	850	850	–	–	–
Infrastructure		*170 587*	*210 479*	*228 496*	*505 090*	*467 665*	*467 665*	*450 012*	*457 570*	*416 478*
Community		–	–	–	–	10 182	10 182	880	450	440
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		3 522	7 459	3 729	6 880	10 025	10 025	11 700	3 125	900
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		93	379	627	275	1 726	1 726	50	300	300
TOTAL CAPITAL EXPENDITURE - Asset class	2	**174 201**	**218 317**	**232 852**	**512 245**	**489 598**	**489 598**	**462 642**	**461 445**	**418 118**
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport						–	–			
Infrastructure - Electricity						–	–			
Infrastructure - Water		490 239	644 234	761 700	1 633 257	1 589 340	1 589 340	1 612 285	2 025 638	2 388 920
Infrastructure - Sanitation		22 742	22 226	24 751	56 990	63 269	63 269	30 702	30 096	30 010
Infrastructure - Other		585 640	600 456	662 930	591 998	602 180	602 180	647 534	634 157	620 920
Infrastructure		*1 098 622*	*1 266 916*	*1 449 381*	*2 282 245*	*2 254 789*	*2 254 789*	*2 290 521*	*2 689 891*	*3 039 850*
Community						–	–			
Heritage assets						–	–			
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		74 714	75 718	74 463	123 331	126 690	126 690	68 426	59 326	51 471
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		1 077	932	1 050	1 402	2 778	2 778	2 194	1 972	1 824
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	**1 174 413**	**1 343 566**	**1 524 894**	**2 406 978**	**2 384 256**	**2 384 256**	**2 361 141**	**2 751 188**	**3 093 145**
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		50 917	48 971	48 881	52 920	52 920	52 920	64 000	71 397	77 961
Repairs and Maintenance by Asset Class	3	43 985	52 108	76 820	47 626	68 371	68 371	58 196	60 607	64 001
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	42 694	62 942	44 733	66 303	66 303	55 172	57 427	60 643
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		43 985	8 381	12 356	243	143	143	100	106	112
Infrastructure		*43 985*	*51 076*	*75 298*	*44 976*	*66 446*	*66 446*	*55 272*	*57 533*	*60 755*
Community		–	133	196	59	159	159	230	244	257
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	–	900	1 326	2 591	1 766	1 766	2 694	2 831	2 988
TOTAL EXPENDITURE OTHER ITEMS		**94 903**	**101 080**	**125 702**	**100 546**	**121 291**	**121 291**	**122 196**	**132 005**	**141 961**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. It be noted that uThungulu's internally funded capital for 2016/17 accounts for 6% of the total capital budget, most of the capital budget is grant funded mainly through MIG, RBIG and WSIG, which is for backlog eradication.

Table 16 MBRR Table A10 Basic service delivery measurement

DC28 uThungulu - Table A10 Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets	1									
Water:										
Piped water inside dwelling		30 306	33 337	30 306	36 670	36 670	36 670	40 337	41 144	41 967
Piped water inside yard (but not in dwelling)		43 625	47 988	47 000	52 786	52 786	52 786	58 065	59 226	60 411
Using public tap (at least min.service level)	2	22 000	24 200	22 500	26 620	26 620	26 620	29 282	29 868	30 465
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		95 931	105 524	99 806	116 077	116 077	116 077	127 684	130 238	132 843
Using public tap (< min.service level)	3	7 590	8 349	9 930	9 184	9 184	9 184	10 102	10 304	10 510
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		41 831	46 014	35 616	50 616	50 616	50 616	55 677	56 791	57 926
Below Minimum Service Level sub-total		49 421	54 363	45 546	59 799	59 799	59 799	65 779	67 095	68 437
Total number of households	5	**145 352**	**159 887**	**145 352**	**175 876**	**175 876**	**175 876**	**193 464**	**197 333**	**201 279**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		30 306	33 337	30 306	36 670	36 670	36 670	40 337	41 144	41 967
Flush toilet (with septic tank)		4 250	4 675	4 250	5 143	5 143	5 143	5 657	5 770	5 885
Chemical toilet		–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)		73 274	80 601	83 274	88 662	88 662	88 662	97 528	99 478	101 468
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		107 830	118 613	117 830	130 474	130 474	130 474	143 522	146 392	149 320
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		37 522	41 274	27 522	45 402	49 942	54 936	49 942	50 941	51 959
No toilet provisions		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		37 522	41 274	27 522	45 402	49 942	54 936	49 942	50 941	51 959
Total number of households	5	**145 352**	**159 887**	**145 352**	**175 876**	**180 416**	**185 410**	**193 464**	**197 333**	**201 279**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Honourable Speaker, Mayor, Deputy Mayor and the Council Whip, on the administration side it consists of the Municipal Manager and senior officials of the municipality.

The primary aims of the Budget Steering Committee is to ensure:
- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Schedule of Key Deadlines

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The IDP and budget time schedule were tabled in the Budget Steering Committee in August 2014 and was then subsequently submitted to the Financial Services Portfolio Committee, Exco, and Council in August 2015. This was revised in January 2015 and subsequently approved by Council. The Key dates applicable to the process were:

- **August 2015** – The Mayor tables the Schedule of Key deadlines to the relevant Council Committees;
- **September 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget Office for consolidation and assessment against the financial planning guidelines;
- **January 2016** - Council considers the 2015/16 Mid-year Review in terms of section 72 of the MFMA;
- **February 2016**- Council considers the 2015/16 Adjustments Budget;

- **March 2016**– Multi-year budget proposals are submitted to the Budget Steering Committee for consideration and further deliberation;
- **16 March 2016**- Tabling in the Financial Services Portfolio Committee, Exco and Council of the draft 2016/17 IDP and 2016/17 MTREF for consideration;
- **March/April 2016** – Public consultation, IDP Roadshows;
- **April 2015**– finalisation of the 2016/17 IDP review and 2016/17 MTREF, taking into consideration comments received from the public, comments from National and Provincial Treasuries, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **20 April 2016**- Tabling of the final 2016/17 MTREF before Council for consideration and approval.

There were minor deviations from the key dates set out in the Budget Time Schedule tabled in Council, however, the dates were still within the legislated timelines.

2.3 Process For Integration Of The IDP & Preparation Of The Budget

The budget process is integrated with the review of the IDP through the IDP review mechanism. The outcome of consultation feeding into the preparation and review of the IDP is taken into account in the budget process.

The Deputy Municipal Manager: Planning and Economic Development arranged alignment forums, of which key outcomes were considered in the review of the IDP and for inclusion in the 2016/2017 Multi-Year Budget Consultation for the preparation of the uThungulu IDP.

2.4 Process to Record and Integrate Input from the Community

The Deputy Municipal Manager: Planning & Economic Development recorded inputs from the alignment forums and with Road shows have been held in October 2015 in each Local Municipality Area to provide feedback on the tabled Budget / IDP as follows:

- uMfolozi Municipality – 30 September 2015
- uMlalazi Municipality – 06 October 2015
- Mthonjaneni Municipality – 21 October 2015
- Nkandla Municipality – 28 October 2015
- Amakhosi Roadshow – 04 September 2015
- Corporates Roadshow – 02 October 2015
- Government Roadshow – 01 September 2015
- Ntambanana Municipality – 01 October 2015

Community Members listening attentively during the October 2015 IDP/Budget Roadshows

2.5 Process And Media Used To Provide Information On The Budget And IDP To The Community

Some of the tools used for communicating the Budget/IDP, as contained in the Public Relations / Communication Strategy, are:

- Road shows in uMhlathuze, Mfolozi, Ntambanana, Nkandla, Mthonjaneni & uMlalazi Municipalities annually in April during the Budget/IDP comment phase and in October after Council approval of the IDP/Budget
- Monthly external newsletter *IzindabaEzimtoti*
- Monthly internal newsletter *Ezisematheni*
- uThungulu website www.uthungulu.org.za
- Annual Service Commitment Charter booklet published as and when needed
- Annual Report – publication planned for January each year.
- Print media press releases as and when required to local and provincial newspapers
- Adverts in local and provincial newspapers as required
- IDP Representative Forum meetings
- District LED Forum meetings
- District Mayors' Forum meetings

Her Worship, The Mayor TVB Mchunu during a handover of bicycles at the Mthonjaneni Roadshow.

2.6 Alignment Of Budget With IDP

The budget was prepared using the following IDP inputs:

- Situational Analysis
- The outputs of the consultations with the various stakeholders.
- Priority Development Issues
- Strategic approach

The information from the above processes was included in the budget according to the IDP prioritisation model. A preparation of the municipal Integrated Development Plan (IDP) has been prepared for the 2012/2013 to 2016/17 as required by the Municipal Systems Act and the MFMA. The document contains information on the following:

- Vision for the Uthungulu District Municipality
- Strategic Focus Areas
- Long-term goals or outcomes for the resident communities
- Alignment with national, provincial and district plans
- Consideration of service delivery and funding of housing, health and transport
- Description of prioritisation systems used for allocating resources to objectives
- Amendments to the IDP
- The consultative process undertaken to review the IDP

The Budget Steering Committee has been operational since the inception of the IDP preparation process. The committee acts as a support to the IDP preparation process.

2.7 IDP FOCUS AREAS

The integrated development approach of the uThungulu District Municipality focuses on the combination of basic needs approach and economic development. As such, the district has been investing in physical, social and economic development aspects. Its investment has been founded on the approach of responding to areas of greatest need and areas with potential for greatest returns in terms of economic development.

The uThungulu District Municipality also focuses on its core functions as referenced in Section 84(1) of the Municipal Structures Act (No. 117 of 1998). The following table provides a summary of only those core functions (shaded areas) for the uThungulu District Municipality:

POWERS AND FUNCTIONS

In terms of Circular 8/2008: 2008/09 Capacity Assessments and Recommendations: Adjustment of Powers and Functions between District and Local Municipalities in terms of Section 85 of the Local Government: Municipal Structures Act 1998, the uThungulu Distri

			281	282	283	284	285	286
1	S 84(1)(a)	Integrated development planning for the district municipality including Development Plan for the local municipalities within the area of the District Municipality						
2	S 84(1)(b)	Potable water supply that effects a significant proportion of the municipalities in the district						
3	S 84(1)(C)	Bulk supply of electricity						
4	S 84(1)(d)	Domestic waste-water and sewage disposal system						
5	S 84(1)(e)	Solid waste disposal sites serving the area of the District Municipality as a whole						
6	S 84 (1)(f)	Municipal roads which form an integrated part of a road transport system for the area of the district municipality as a whole						
7	S 84 (1)(g)	Regulation of passenger transport services						
8	S 84 (1)(h)	Municipal airport serving the area of the district municipality as a whole						
9	S 84 (1)(i)	Municipal health serving the area of the district municipality as a whole						
10	S 84 (1)(j)	Fire fighting services for district municipality as a whole						
11	S 84 (1)(k)	Fresh produce markets and (abattoirs) serving the area of the district municipality as a whole						
12	S 84 (1)(l)	Cemeteries and crematoria						
13	S 84 (1)(m)	Promotion of local tourism for the district municipality						
14	S 84 (1)(n)	Municipal public works relating to any of the above function or and other functions assigned to the district municipality						
	S 84 (1)(o)	The receipt, allocation and if applicable distribution of grants made to the district municipality						
16	S 84 (1)(p)	The imposition and collection of taxes, levies and duties as related to the above functions or may be assigned to the District Municipality in terms of national						
18	Sched 4 B	Building regulations						
22	Sched 4 B	Local Tourism						
40	Sched 5 B	Licencing and control of undertakings that sell food to the public						
50	Sched 5 B	Refuse removal, refuse dumps, solid waste disposal and cleansing services						

Allocated functions to the District

Functions ommitted from exicting enactment in terms of Extraordinary Provincial Gazette of KZN Vol3 No 299 dated 30 June 2009

2.8 IDP Strategic Objectives

The above is compartmentalized into the following eleven development strategies for the district:

STRATEGIC PRIORITIES	PROGRAMMES
Municipal Transformation and Organisational Development.	
	Human Resource Development
	Information & Communication Technology Services
	Administrative Services
	Individual Performance Management
	Organisational Performance Management
	Institutional Development
	Integrated Development Planning
Municipal Financial Viability and Management.	
	Financial management
	Budgeting and reporting
	Revenue Enhancement
	Expenditure control
	Improved Audit Opinion
Good Governance and Public Participation.	
	Public Relations & Communications
	Intergovernmental Relations
	Public Participation
	Batho Pele Principles
	Community Participation
	Nation-building and good governance.
	Improved Ward Information
Infrastructure Development and Service Delivery.	
	Electricity & Alternative Energy
	Regional Solid Waste
	Regional Cemeteries and Crematoria
	Municipal Roads and Public Transport Services
	Municipal Airports
	Municipal Public Works
	Regional Fresh Produce Market
	Abattoir
	ICT Infrastructure
	Rail Networks
	Harbour

STRATEGIC PRIORITIES	PROGRAMMES
Basic Services Provision	
	Access to Water (Potable Water and Waste Water)
	Access to Sanitation
	Potable Water, Waste Water and Sanitation
	Drought relief
	Upgrading of Water Services Networks
	Water Services Authority and Planning
	Access to Electricity (Energy)
	Access to Solid Waste (Regional Solid Waste)
	Regional Cemeteries and Crematoria
	Free Basic Services
	Improved access to basic services
	Improved access to Free Basic Services
Local Economic Development	
	Local Economic Development
	Local Economic Development of prioritised groups
	Local Tourism Development
	Agricultural Development
	Business and Industrial Development
	Community Work programme implemented and cooperatives supported
Sustainable Human Settlement & Land Management	
	Internal Fixed Assets
	Spatial Planning & Development
	Nodal Planning & Development
	Land Use Management
	Land Reform
	Housing
Human Resource Development	
	Education
	Skills Development
Rural Development & food security	
	Sustainable Livelihoods
	Rural development
	Agrarian Reform

STRATEGIC PRIORITIES	PROGRAMMES
Community Development & Social Services	
	Municipal Health
	Air Quality Management
	Safety & Security
	Crime Prevention
	Community, Service, Facilities and Actions
	Sport & Recreation Programme
	Disaster Management
	Marginalised Groups
	HIV/AIDS
	Culture, Arts & Heritage
Environmental & Resource Management	
	Integrated Environmental Management
	Coastal Management
	Responses to Climate Change

The 2016/2017 MTREF has therefore been directly informed by the above strategic objectives and the IDP.

2.9 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

2.9.1 PROVISION OF CLEAN WATER AND MANAGING WASTE WATER

uThungulu District Municipality is a Water Services Authority (WSA) in terms of the Minister's determination of the municipal powers and function in terms of section 84 (b) and (d) of the Municipal Structures Act, Act 117 of 1998. The WSA functions are clearly defined in chapter 3 of the Water Services Act, Act 108 of 1997.

The WSA function status is only applicable to the four local municipalities namely;

Mfolozi Municipality	KZ 281
uMlalazi Municipality	KZ 284
Mthonjaneni Municipality	KZ 285
Nkandla Municipality	KZ 286

Based on the aforementioned functions, a detailed Water Services Development Plan (WSDP) was prepared indicating the challenges facing the municipality. UThungulu is predominantly rural with only 20% being urban incorporating surrounding townships. The backlogs are reflected below;

Water Supply Backlog based on the 2011 census data

Basic Service	Number of Households (HH) with access	Number of HH without access	Backlog in Percentage based on 2011 Stats of 116 367 HH in the District
Access to Water	73213	43154	37
Access to Sanitation	79523	36844	32

Based on the table above, it is clear that the municipality is faced with the challenge of ensuring that the 37% (43154) households that have now been provided with water or have access to piped water and enjoys uninterrupted service.

To successfully achieve this mammoth task, the WSA undertook a Section 78 capacity assessment as prescribed in the Municipal Systems Act, Act 32 of 2000. This was done to assess the capacity of all local municipalities to ascertain if they would be able to undertake the Water Services Provider (WSP) function.

The outcome of this service indicated that all five municipalities would not be able to manage water services provision function within the extended areas. It be noted that the previous town councils only had capacity and resources to provide water services within their old boundaries. The newly established wall to wall municipalities resulted in massive extensions of the municipal boundaries with the inclusion of vast rural areas with limited infrastructure.

The 73213 households receive water from over 250 water schemes. These water projects receive water from the following sources: boreholes, springs, rivers through weirs, dams and from bulk pipeline from other neighbouring municipalities.

Access to sanitation stands at 79523 of household served by rural sanitation (VIP) as well as water borne sewerage systems in urban areas except for Mbonambi Town which is entirely on septic tanks. That means our sanitation backlog is about 36844 households representing 32%.

2.9.2 WATER SERVICES PROVIDER STATUS

In view of the fact that all local municipalities did not have capacity to undertake the WSP function, uThungulu entered into a service level agreement with the local municipalities, excluding KZ 282 to provide the WSP function for their entire respective servicing areas. This required that the municipality provide all resources and capacity to ensure that all systems were operational.

To achieve this successfully, uThungulu opted for the services of a service support agent (SSA) for rural schemes. Currently in the year ahead, uThungulu has budgeted R123m for the WSP function. The town supply schemes are operated and managed by UDM. uThungulu appointed the service of a service support agent WSSA.

In addition to the maintenance of rural schemes, the municipality is also responsible for the maintenance of rudimentary water supply facilities such as boreholes, standard developments schemes and protected localized springs which do not have piped network due to low yields.

In areas where boreholes and springs have dried up and where there is no prospect of groundwater, the municipality provide water with water tankers. As alluded earlier in the book, this cost has been increasing annually and no funding has been forthcoming from National and Provincial Government.

2.9.3 WATER QUALITY ISSUES

The municipality is taking the water quality issue very seriously. From last year, the municipality started to make budget provision to address water quality issues. Currently water quality is managed based on the Department of Water Affairs guidelines. These guidelines were reviewed in April 2009 to conform to the SANS 241 standard (blue and green drop). With the introduction of the blue drop performance rating, this standard was improved to only consider water conforming to the class 1 classification.

uThungulu is doing internal monitoring by sampling all its water schemes on a monthly basis and submit those results to DWA through an electronic reporting system. In addition to this, all water plants are equipped with chlorine test meters. The samples are taken on a daily basis for chlorine level monitoring. This also includes the turbidity testing. Most of uThungulu water quality has always been above the 80% compliance. The bulk failures are received from boreholes and spring sources mostly in areas without electricity.

❑ *EFFLUENT QUALITY*

The effluent samples are taken on a monthly basis and the results are submitted to DWA.

These systems are in Eshowe Town and at Melmoth. Most of the failure are on the oxidation ponds where excessive grown of vegetation has occurred.

❑ *WATER SAFETY PLAN*

Previously the municipality did not have a water safety plan as this was not compulsory. A budget provision was made available in the 2012/13 financial year with similar provisions made in the outer years. In March 2012, a draft water safety plan was sent to the Department of Water Affairs for approval.

It is important to state that all designs of bulk schemes had been based on 36 to 48hr storages. Since 2006, the municipality has embarked on a strategy to move away from unreliable local sources such as boreholes and springs as they are susceptible to groundwater fluctuations and are the first points of failure during drought.

❑ *PROBLEMS EXPERIENCED BY THE MUNICIPALITY*

- Huge number of backlogs still to be addressed by the municipality
- Ageing infrastructure in the towns
- Vast areas without water requiring carting of water by tankers
- Diminishing groundwater causing boreholes to dry or affecting water quality
- Negative impact on water supply due to high demand arising from excessive garden watering due to the “One House One Garden” which is a National Government campaign.
- Lack of metering in rural areas
- Vandalism of infrastructure by some community members

- Persistent drought in the district which has necessitated restrictions on the supply of water in some areas as well as interventions such as transporting water by water tankers, which is costly.
- Serious illegal water abstraction and abuse
- Insufficient funds for proper asset management
- Lack of capacity
- Serious challenges with the management of the Support Service Agent contract.

- *STEPS TO ADDRESS THE ABOVE PROBLEMS*

All the problems reflected above are covered in detail in the WSDP. The main intervention required to fast track the eradication of these problems is the topping up at least 30% of MIG funding to cover the increasing operational cost.

It should also be noted that as the new infrastructure is implemented, more funding is required for the operation and maintenance of these assets. uThungulu has written a letter to the National Planning Commission requesting a policy review on MIG funding to address the operation and maintenance issues.

2.9.4 WATER CONSERVATION AND WATER DEMAND MANAGEMENT (WC/WDM)

uThungulu District Municipality has taken the issue of WC/WDM seriously. Council has approved the Water Conservation and Water Demand Management Strategy for uThungulu and its implementation is underway. In pursuance of this, a new section known as Water Use Efficiency (WUE) has been created and tasked with the responsibility of implementing the strategy. This section is headed by a Senior Manager. The first priority is to determine the level of non-revenue water and set targets to reduce based on the WC/WDM plan.

A service provider has been appointed for a period of 3 year to carryout analysis of various systems and do zoning and installation of bulk meters for the purpose of water balances. Another service provider has been appointed to replace conventional meters with smart meters and to carryout leak repairs in the customers' properties. These repairs will be a once off activity. Thereafter, our customers will be expected to manage their leaking appliances. In areas where we are experiences high rate of defaulters, the smart meters will be put of pre-paid mode.

2.9.5 PERFORMANCE INDICATORS AND BENCHMARKS

2.9.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. In this regard the Municipality has been independently rated by Global credit rating co. for the past three years and has received an A- rating for its long term credit worthiness. This is indicative of high certainty of timely payment and liquidity factors that are strong and supported by good fundamental protection factors. As with all other municipalities, uThungulu District Municipality's borrowing strategy is primarily informed by the

affordability of debt repayments. As alluded to in table A6 above, the municipality has settled an INCA bullet loan early, amounting to R21 m thereby reducing overall borrowings and lowering gearing..

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to monitored to ensure we maintain a healthy gearing ratio.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. Cognisance must be taken of the impact borrowings will have on future tariffs for service charges.

2.9.5.5 Employee costs as a percentage of operating revenue remains fairly stable over the MTREF, with 28.52%, 29.52% for the outer two years of the MTREF. This is primarily owing to the increases in services charges being aligned to inflationary targets which determine the increase in expenses inclusive of employee costs.

2.9.6 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Council. With the exception of water, only registered indigents qualify for the free and subsidised services.

For the 2016/17 financial year approximately 2400 registered indigents have been provided for in the budget with this figure increasing to 2600 by 2016/17. In terms of the Municipality's indigent policy registered households are entitled to 10kℓ fee water, and subsidised sanitation costs.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the statistics for free water supplied.

2.10 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The Budget related policies of the municipality have been reviewed with assistance from the Norms and Standards unit in the Provincial Treasury. These policies will be taken to Council for final approval together with the final 2016/2017 multi year budget on the 20th April 2016.These policies are as follows;

- Incentive Policy
- Indigent Policy
- Investment and Banking Policy
- Property, Plant and Equipment
- Tariff Policy
- Credit Control and Debt collection Policy (Bylaws)
- Virement Policy
- Budget policy
- Long Term Financial Planning Policy
- Funding & Reserves Policy
- Borrowing Policy
- Supply Chain Management
- Succession and Retention Policy
- Recruitment and Selection Policy
- Employment Equity Policy

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

2.11.1 In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.

2.11.2 Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed a total of eighteen interns since the inception of this programme. Currently there are five in the employ of the municipality, these interns have been enrolled for the Certificate in Municipal Development Programme through Wits Business School and the training has commenced in February 2016.

2.11.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA. This Office is headed by a permanently employed Chief Financial Officer.

2.11.4 Audit Committee and Municipal Public Accounts Committee

An Audit Committee and the Municipal Public Accounts Committee has been established and is fully functional.

2.11.5 Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval directly aligned and informed by the 2016/17 MTREF. The draft SDBIP will be finalised in terms of Section 53(1) of the MFMA.

2.11.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

2.12 Annual Budget Tables – uThungulu Fresh Produce Market (Municipal Entity)

Uthungulu Fresh Produce Market - Table D1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16			Medium Term Revenue and Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance									
Property rates	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–
Investment revenue	–	–	–	–	–	–	–	–	–
Transfers recognised - operational	–	–	–	5 000	5 000	5 000	4 500	4 500	4 500
Other own revenue	–	–	–	27 804	27 804	28 508	27 587	28 801	30 068
Total Revenue (excluding capital transfers and contributions)	**–**	**–**	**–**	**32 804**	**32 804**	**33 508**	**32 087**	**33 301**	**34 568**
Employee costs	–	–	–	4 507	3 507	2 791	3 967	4 166	4 374
Remuneration of Board Members	–	–	–	844	594	537	810	851	893
Depreciation and debt impairment	–	–	–	–	–	–	–	–	–
Finance charges	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	–	–	–	552	252	15	420	441	463
Transfers and grants	–	–	–	–	–	–	300	300	300
Other expenditure	–	–	–	25 996	27 546	26 995	23 412	24 296	25 499
Total Expenditure	**–**	**–**	**–**	**31 899**	**31 899**	**30 338**	**28 909**	**30 053**	**31 529**
Surplus/(Deficit)	**–**	**–**	**–**	**905**	**905**	**3 169**	**3 178**	**3 247**	**3 039**
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	**–**	**–**	**–**	**905**	**905**	**3 169**	**3 178**	**3 247**	**3 039**
Taxation	–	–	–	–	–	–	–	–	–
Surplus/ (Deficit) for the year	**–**	**–**	**–**	**905**	**905**	**3 169**	**3 178**	**3 247**	**3 039**
Capital expenditure & funds sources									
Capital expenditure	**–**	**–**	**–**	**–**	**–**	**–**	**300**	**302**	**–**
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	250	250	–
Total sources of capital funds	**–**	**–**	**–**	**–**	**–**	**–**	**250**	**250**	**–**
Financial position									
Total current assets	–	–	–	905	905	5 411	4 650	4 818	5 018
Total non current assets	–	–	–	12 514	12 514	12 714	12 814	12 860	12 604
Total current liabilities	–	–	–	–	–	2 441	2 022	2 123	2 229
Total non current liabilities	–	–	–	–	–	–	–	–	–
Community wealth/Equity	–	–	–	1 965	1 965	2 969	5 597	8 292	11 081
Cash flows									
Net cash from (used) operating	–	–	–	1 965	1 965	3 169	3 428	3 497	3 289
Net cash from (used) investing	–	–	–	–	–	(200)	(300)	(302)	–
Net cash from (used) financing	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	**–**	**–**	**–**	**1 965**	**1 965**	**2 969**	**6 097**	**9 293**	**12 582**

Uthungulu Fresh Produce Market - Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			Medium Term Revenue and Expenditure Framework		
R thousands		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Source	1									
Service charges - other										
Transfers recognised - operational					5 000	5 000	5 000	4 500	4 500	4 500
Other revenue					27 804	27 804	28 508	27 587	28 801	30 068
Gains on disposal of PPE								–	–	–
Total Revenue (excluding capital transfers and contributions)		–	–	–	**32 804**	**32 804**	**33 508**	**32 087**	**33 301**	**34 568**
Expenditure By Type										
Employee related costs					4 507	3 507	2 791	3 967	4 166	4 374
Remuneration of Directors					844	594	537	810	851	893
Debt impairment	4				–	–	–	–	–	–
Collection costs					–	–	–	–	–	–
Depreciation & asset impairment					1 060	1 060	–	250	250	250
Finance charges					–	–	–	–	–	–
Bulk purchases	2				–	–	–	–	–	–
Other materials	5				552	252	15	420	441	463
Contracted services					20 319	22 888	24 450	20 803	21 843	22 935
Transfers and grants					–	–	–	300	300	300
Other expenditure	3				4 617	3 598	2 545	2 359	2 203	2 313
Loss on disposal of PPE										
Total Expenditure		–	–	–	**31 899**	**31 899**	**30 338**	**28 909**	**30 053**	**31 529**
Surplus/(Deficit)		–	–	–	**905**	**905**	**3 169**	**3 178**	**3 247**	**3 039**
Transfers recognised - capital										
Contributions recognised - capital										
Contributions of PPE										
Surplus/(Deficit) after capital transfers & contributions		–	–	–	**905**	**905**	**3 169**	**3 178**	**3 247**	**3 039**
Taxation										
Surplus/ (Deficit) for the year		–	–	–	**905**	**905**	**3 169**	**3 178**	**3 247**	**3 039**
References										
1. Revenue includes sales of: (insert description)										
2. Bulk purchases - electricity										
2. Bulk purchases - water										
3. Expenditure includes repairs & maintenance of:										

Uthungulu Fresh Produce Market - Table D3 Capital Budget by vote and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			Medium Term Revenue and Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Multi-Year expenditure										
Insert programme/projects description										
Capital multi-year expenditure sub-total	2	–	–	–	–	–	–	–	–	–
Single Year expenditure										
Market infrastructure								250	250	
Equipment								50	52	
Capital single-year expenditure sub-total	2	–	–	–	–	–	–	300	302	–
Total Capital Expenditure	4	–	–	–	–	–	–	300	302	–
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital		–	–	–	–	–	–	–	–	–
Public contributions & donations	6									
Borrowing	3									
Internally generated funds								250	250	
Total Capital Funding	4	–	–	–	–	–	–	250	250	–

Uthungulu Fresh Produce Market - Table D4 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			Medium Term Revenue and Expenditure Framework		
R thousands		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS										
Current assets										
Cash					905	905	2 611	2 281	2 331	2 407
Call investment deposits										
Consumer debtors							2 800	2 369	2 487	2 611
Other debtors										
Current portion of long-term receivables										
Inventory										
Total current assets		–	–	–	905	905	5 411	4 650	4 818	5 018
Non current assets										
Long-term receivables	3									
Investments										
Investment property										
Property, plant and equipment	1				12 352	12 352	12 552	12 652	12 701	12 448
Agricultural assets										
Biological assets										
Intangible assets					162	162	162	162	159	156
Total non current assets		–	–	–	12 514	12 514	12 714	12 814	12 860	12 604
TOTAL ASSETS		–	–	–	13 420	13 420	18 125	17 464	17 678	17 622
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing										
Consumer deposits										
Trade and other payables							2 441	2 022	2 123	2 229
Provisions	3									
Total current liabilities		–	–	–	–	–	2 441	2 022	2 123	2 229
Non current liabilities										
Borrowing										
Provisions	3									
Total non current liabilities		–	–	–	–	–	–	–	–	–
TOTAL LIABILITIES		–	–	–	–	–	2 441	2 022	2 123	2 229
NET ASSETS	2	–	–	–	13 420	13 420	15 684	15 442	15 555	15 393
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)					1 965	1 965	2 969	5 597	8 292	11 081
Reserves										
Share capital										
TOTAL COMMUNITY WEALTH/EQUITY	2	–	–	–	1 965	1 965	2 969	5 597	8 292	11 081

Uthungulu Fresh Produce Market - Table D5 Budgeted Cash Flow

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			Medium Term Revenue and Expenditure Framework		
R thousands		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other					27 804	27 804	28 508	27 587	28 801	30 068
Government - operating					5 000	5 000	5 000	4 500	4 500	4 500
Government - capital										
Interest										
Dividends										
Payments	2									
Suppliers and employees					(30 839)	(30 839)	(30 338)	(28 359)	(29 503)	(30 979)
Finance charges										
Dividends paid										
Transfers and Grants								(300)	(300)	(300)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	–	–	1 965	1 965	3 169	3 428	3 497	3 289
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables										
Decrease (increase) in non-current investments										
Payments										
Capital assets							(200)	(300)	(302)	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	–	–	–	–	(200)	(300)	(302)	–
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing										
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD	1	–	–	–	1 965	1 965	2 969	3 128	3 195	3 289
Cash/cash equivalents at the year begin:	2		–	–	–	–	–	2 969	6 097	9 293
Cash/cash equivalents at the year end:	2	–	–	–	1 965	1 965	2 969	6 097	9 293	12 582

2.13 Municipal Manager's quality certificate

I …………………………………………………., municipal manager of uThungulu District, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name ____

Municipal Manager of UThungulu District (DC28)

Signature ____

Date ______________________________

UTHUNGULU